

The Blue Pages

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PayMaster Version 8

SOLD OVER HALF OUR CURRENT CUSTOMERS

Tough tip and wage laws ?

New procedures and penalties ?

No problem — with powerful

PayMaster for Windows

Visa status ... multiple incomes ... tips ... overtime

No matter how complicated tax reporting gets, **PayMaster version 8** keeps you in compliance. That's because the new Windows-based **PayMaster** goes beyond DOS functionality to provide powerfully enhanced features and virtually unlimited upgrade potential.

An investment that quickly pays for itself

Though converting your **PayMaster** system from DOS to Windows requires an investment of time and money, you can quickly recoup your investment through productivity-enhancing features that include:

- * **Reliability:** Greater system stability means fewer crashes and less downtime.
- * **Easier data handling:** MySQL Database streamlines input and retrieval.
- * **Accessibility:** up to 100 users can use the system concurrently.
- * **Flexibility:** unlimited jobs, deductions, and additional incomes ... plus, reports can be run on any date range.
- * **Richer features:** including the ability to handle J1 Visa tax status.

2005 Magnetic Media to Change

for end of year. The SSA (*Social Security Administration*) released new MMREF-1 and MMREF-2 specifications. Our PayMaster Classic users (DOS version), will need the autoupdate this year to incorporate this change to be able to file magnetic media and upload to the SSA website. It is needed to file Form W-2 for 2005 as well as Form W-2c for 2006 electronically. Be sure to call the ComputerAid staff to ensure you will receive the update. This change is already included in **PayMaster for Windows**. As mentioned in previous Blue Pages, in order to upload to the SSA website, you should visit the BSO section, (Business Service Online) of their site.

<http://www.socialsecurity.gov/bsowelcome.htm>

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More IRS Form Changes on the Way

The IRS announced plans to redesign **Form 940** and to create a new **Form 944** at the APA's Annual Congress in San Diego.

Form 940, 'Employer's Annual Federal Unemployment Tax Return' will be redesigned for the 2006 tax year according to Carol Barnette, IRS Chief, Specialty Business Forms & Publications. The form will allow for optical scanning and will include simplified instructions. It will incorporate many of the features in the recently-revised Form 941, 'Employer's Quarterly Federal Tax Return'. **Form 940-EZ** will be eliminated but former Form 940-EZ filers will only have to complete certain sections of the new form. There will be eight sections in the revised form with administrative questions in the first section. There will be new check boxes in the upper right hand corner of the form where employers can indicate if the return is final or amended return, or if the employer is a successor employer. Employers will no longer be required to provide handwritten explanations for adjustments (such as the handwritten explanation required for exempt payments on Part I, line 2 of the current form) as a new worksheet will be added to the form. There will be a new Schedule A, which will include sections for multi-state employers and for calculating state credit reductions. The **Form 940-V**, Payment Voucher, will be removed from Form 940 and will be instead included in the instruction booklet.

The IRS is currently gathering feedback on form revisions and hopes to have the form finalized by November.

Form 944 Effective with tax year 2006, employers with total employment tax liability of \$1,000 or less will be able to file Form 944 on an annual basis rather than filing Form 941 on a quarterly basis. The IRS will notify employers that are qualified to file the new form. The IRS will also inform new employers that they should file Form 944 after it receives a request for an EIN. Eligible employers will only have to make tax payments on an annual basis. Employers that prefer to still file Form 941 will be able to do so. Eligible employers that incur an employment tax liability in excess of \$1,000 will still file a Form 944 for that tax year and will start filing Form 941 at the

beginning of the next tax year. An IRS Tax Law Specialist stated, "That over one million current filers will be eligible to file the new form." *

Congress Approves Plan to Ease Foreign Visa Restrictions on Seasonal Workers

Congress has approved an emergency plan that will make it easier for U.S. businesses to hire seasonal workers from other countries. The plan, which is part of an \$82 billion Iraq and Afghanistan military spending bill, would waive the annual visa cap for temporary workers who held seasonal, nonagricultural jobs in the U.S. within the last three years and returned to their countries afterward. * *

PayMaster for Windows handles this tax status, typically called J1 Visa. In the software it is as easy as making the selection. Shown below, local taxes,

The screenshot shows the 'PayMaster build 8.0 - [Employee Information]' window. The main window title is 'PayMaster build 8.0 - [Employee Information]'. The menu bar includes File, Setup, Calculate, Reports, Utilities, Check, Help. The window is divided into several sections. On the left, there is a 'View Division' list with a search box and buttons for 'All', 'Active', and 'Inactive'. The list contains employee records with columns for EmpNum, Last Name, and Division. The selected employee is '1-05 - WAITRESS Div:1'. The main area displays the employee's details: Division 1-05, Emp Num 1, Name LILY WAITRESS, Fed S, State VA, Job1 Wait Staff. Below this, there are tabs for Bio Info, Taxes, Additional Income, Deductions, Jobs, Direct Deposit, Vac/Sick/Hol, and Extra. The 'Taxes' tab is active, showing 'Federal' and 'State' sections. The 'Federal' section has 'Filing Status' set to 'Single', 'Allowances' set to '1', 'Add'l Fed With' set to '15.3', and 'EIC Filing Status' set to 'J1 Visa'. The 'State' section has 'Filing Status' set to 'Standard Ded', 'Standard Ded' set to '1', 'Exemptions' set to '2', 'Add'l State With' set to '0', and 'SUTA CODE' set to 'VA'. A dropdown menu for 'State' is open, showing a list of counties: Allegany, Anne Arundel, Baltimore City, Baltimore County, Calvert, Caroline, Carroll, and Cecil. A 'Update Tax Info' button is visible at the bottom right of the form area. The status bar at the bottom indicates 'Using 72 of 2000 of available employees'.

Figure 1

if applicable, are as easy as selecting the county as well. **PayMaster for Windows** includes many pre-configured templates using the more common deductions and additional incomes with their more common tax and payroll implications. (See figure 2 next page)

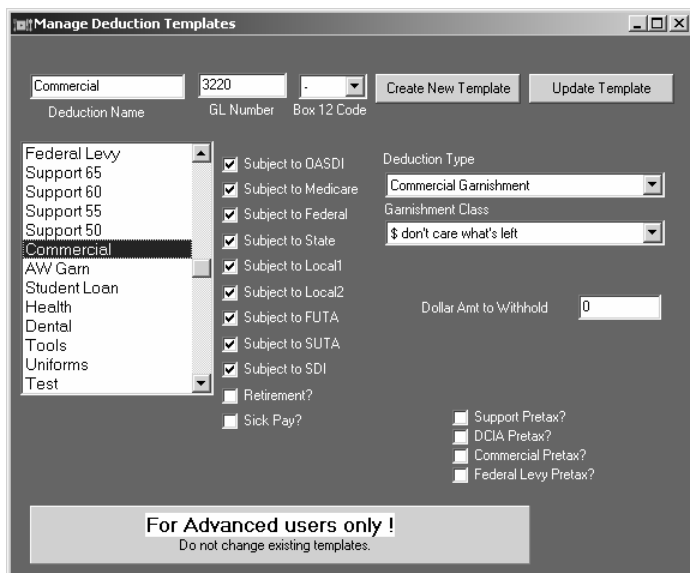


Figure 2

Good News: IRS Eliminates “Questionable” W-4 Form Requirement for Employers

New federal payroll tax rules eliminate the requirement for employers to automatically forward to the IRS copies of all employee W-4 forms, “Employee’s Withholding Allowance Certificate”, that the IRS considered to be problematic. Previously, the IRS wanted to collect these W-4 Forms and review them to see if the employees in question were trying to dodge their federal income tax responsibilities.

Specifically, the former rules required employers to send the IRS a copy of each employee Form W-4 that claimed:

- More than 10 withholding exemptions or
- Complete exemption from federal income tax withholding when the employer reasonably expected the employee’s wages from that source to be \$200 or more per week.

Under the new rules, an employer is only required to submit copies of Form W-4 to the IRS when specifically told to do so in a written notice or in published guidance that applies to all employers.

- * *Payroll Guide Newsletter*, 05/13/2005 - Volume 64, No. 10
- ** *National Restaurant Association “Smart Brief”* May 11, 2005
- *** *NAPHCC, IRS Institutes Payroll Changes*, May 4, 2005

New Procedures Leave Employers Out of the Loop

The IRS has developed new procedures that use information already reported on employee Forms W-2 to identify individuals who are likely to be out of compliance with the federal income tax withholding rules. If an employee is thought to have a serious under-withholding problem, the IRS will notify the employer to withhold federal income tax from that employee’s wages at an appropriate rate.

As before, however, the IRS still has the power to issue a written notice to an employer that requires submission of copies of Forms W-4 for specified employees. Also, the IRS can still develop specific criteria for identifying Forms W-4 that must be submitted, and this can be done either via a written notice to a specific employer or by published guidance that applies to all employers. * * *

PayMaster for Windows tracks I9 submissions and reports on expiration dates. You can run the I9 report to show which employee’s I9 expiration is coming due. As with most payroll reports, you can report on any date range including prior years.



Figure 3

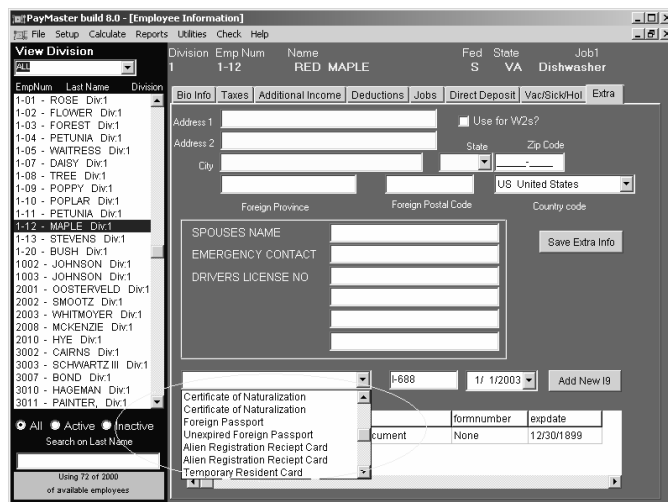


Figure 4

STATE NEWS

Indiana — Withholding

Governor Mitch Daniels has signed H 1004 , which will allow Indiana individual and **business taxpayers** a one-time opportunity to pay past-due listed taxes without penalty. The amnesty covers the withholding tax feature of the adjusted gross income tax — the personal income tax (but not withholding of unemployment tax). The amnesty period is from September 15 through November 15, 2005. Penalties, interest and collection fees, and criminal and civil prosecution, will be waived for delinquent taxpayers taking advantage of the program.

Ohio — Withholding

Taxpayers can input an address, zip code or latitude/longitude on the state's Web site at: http://tax.ohio.gov/online_services/thefinder.stm to determine an employee's liability for municipal income and school district tax.

New Mexico — Wage and Hour

Effective July 1, the minimum wage that an employer must pay to a tipped employee decreases to \$2.13 per hour. The previous minimum tip wage was 50% of the state minimum wage of \$5.15 per hour (i.e. , \$2.58 per hour). The combined earnings of a tipped employee must not be below \$5.60 per hour.

Colorado — Withholding

The Colorado Department of Revenue has introduced a "Zero File" service for monthly, quarterly or seasonal filers that are required to file a Colorado wage withholding report, even if they have no tax to report, because they have a Colorado wage withholding account. By using the Withholding Zero File service, filers can skip mailing a zero return, and avoid getting a non-filer notice from the Department. Zero filing of wage withholding reports can also be done by phone at (303) 205-8290 [Colorado Wage Withholding Tax Zero File, 05/17/2005].

Oklahoma — Unemployment Oklahoma has enacted state unemployment tax avoidance (SUTA dumping) legislation, effective November 1, 2005 [L. 2005, S 763].

IRS will Discontinue TeleFile Program

The TeleFile program, which allows taxpayers to file Forms 1040EZ, 4868, and 941 by telephone, will be discontinued after 8/16/05. The IRS decided to discontinue the program due to declining use as other electronic filing alternatives have become available coupled with increasing cost to maintain the TeleFile infrastructure. The program's end date will permit taxpayers to TeleFile (1) Form 1040EZ through 8/15/05, and (2) Form 941 second quarter returns through 7/31/05. Taxpayers who have electronically paid all taxes due by 7/31/05 are granted an extension to TeleFile through 8/10/05 (8/11/05 in Hawaii).

Complying with Federal Payroll Recordkeeping Requirements

Employers liable for payroll taxes are required by law to keep certain records that can be used to determine whether and how much tax liability exists. For federal tax purposes, employment tax records must be maintained for at least four years after the later of: the due date of the tax for the return period to which the records relate, or the date the tax is paid. Here is a summary of the specific records that must be maintained for income, Social Security and Medicare taxes, and for federal unemployment tax.

The following records must be kept for at least four years after the due date of the employee's personal income tax return (generally April 15) for the year in which the payment was made:.

- employer identification number;
- employee's name, address, occupation, and social security number;
- total amount and date of each payment of compensation, including reported tips and the fair market value of non-cash payments and any amount withheld for taxes or otherwise;

Continued on page 6

Q & A

Q How do I bring over my PayMaster Classic data into the new **PayMaster for Windows** software?

A There is a utility in the new PayMaster that will import your data from a file created in PayMaster Classic. It brings in a majority of the information. If you convert over to **PayMaster for Windows** in the 3rd Quarter or later, it is **IMPORTANT** to do a **BACKUP** of your data **BEFORE** processing the second quarter. Since PayMaster Classic only holds the current and previous quarter information, a backup is necessary for an accurate conversion.

Q Can **PayMaster for Windows** be installed on a network or standalone environment?

A Yes, either one. The advantage of the network install, is that more than one user can be in a company division at the same time. It does lock however, if one of the users is processing a payroll.

Q Do I still have to back up to a floppy A drive?

A Certainly not. As a matter of fact, we discourage that practice as 1.44 meg floppy disks are unreliable. You can now backup to any drive. Network or local. By default, each time a backup is created, it is given a different name so as to not overwrite the other backup files.

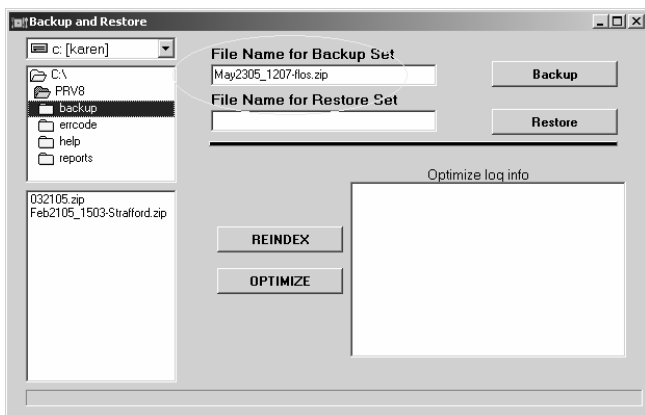


Figure 5

Q Does **PayMaster for Windows** have the same reports as PayMaster Classic?

A Yes, and MORE. Perhaps one of the biggest improvements is the ability to report on any time frame. Since PayMaster has a back end database, (MySQL), and stores your data, you can run reports on previous years. Archiving your company before processing end of year is no longer necessary.

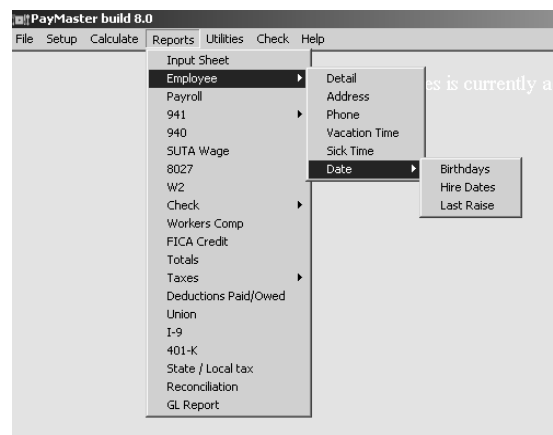


Figure 6

Q Will **PayMaster for Windows** still import from POS and export to General Ledger programs?

A Yes. We surveyed our customer base and prioritize which programs to interface with. Programs such as Digital Dining, Micros, Time America products, and Squirrel are only a few. An added feature coming soon, is the ability to export reports to a PDF, Adobe (Portable Document Format) and Excel spreadsheets. This will allow exporting information to other popular accounting packages.

Q Can I still change employee amounts like I was able to do in *DISPLAY PAYROLL*, (i.e. an employee pays on a deduction he/she owes).

A Yes, in fact, it's recorded as it's own transaction making it accurate for reporting.

- amount of compensation subject to withholding for federal income, Social Security and Medicare taxes, and the amount withheld for each tax;
- the pay period covered by each payment of compensation;
- the reason(s) why the total compensation and the taxable amount for each tax are different, if that is the case;
- the employee's Form W-4;
- the beginning and ending dates of the employee's employment;
- the statements provided by employees and any required substantiation;
- support for wage continuation payments made by an employer or third party to an employee under an accident or health plan;
- fringe benefits provided to employees and any required substantiation;
- any requests from employees to use the cumulative method of wage holding;

- adjustments of settlements of taxes;
- copies of returns filed (on paper or magnetic media), including Forms 941, 943, W-3, 6559, Copy A of Form W-2, and any Forms W-2 sent to employees but returned as undeliverable;
- amounts and dates of tax deposits.

Unemployment Tax

Employers subject to FUTA must keep the following information for at least four years after the due date of Form 940 or (940EZ) or the date that the required FUTA tax was paid, whichever is later:

- (1) the total amount of employee compensation paid during the calendar year;
- (2) the amount of compensation subject to FUTA;
- (3) state unemployment contributions made, with separate totals for amounts paid by the employer and amounts withheld from employee's wages;
- (4) all information shown on Form 940;
- (5) the reason(s) why total compensation and the taxable amounts are different, if that is the case. *

* Payroll Guide Newsletter , 04/15/2005- Volume 64, No. 08

PLEASE OPEN IMMEDIATELY:
See inside for important changes
to your PayMaster software

