PenSoft® NEWS

In observance of Thanksgiving Day, PenSoft will be closed Thursday & Friday, November 27th & 28th.

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PAYROLL SOLUTIONS

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We Moved

PenSoft is proud to announce the construction on our new building is complete and we have moved into it. It provides us with more space and because we designed the building from the beginning it is more efficient for our operation. It allows us to better serve our customers.

We were committed to moving our operations without interrupting our order process or shipping times and to making the move as transparent as possible to our customers. Months of planning helped to minimize the chaos and prepare our employees for the challenge. The excitement of being in the new building kept our employees spirits high and they worked super hard to serve our customers while managing the moving tasks.

Not only does this new building better suit our operation but it also has plenty of room for company growth. Since PenSoft has grown every year of its 18+ year history it was imperative the building be designed for continued growth.

Please make note of our new address and update any files where you have our old address stored.

PenSoft
151 Enterprise Drive
Newport News, VA 23603

Our telephone numbers, fax number and e-mail addresses all remain the same.

1099 Backup Withholding

Independent Contractors are treated differently than employees in multiple ways. They have the ability to control their own work, file special forms, and in some cases, they even pay their taxes differently than a typical employee. Yet, companies who hire these contractors still have a responsibility to the IRS to ensure income taxes will be paid.

When an independent contractor fails to furnish the hiring company with a Federal EIN number, backup withholding becomes mandatory by the IRS. Backup withholding is federal income tax withheld from payments reported on Forms 1099. These payments may include but are not limited to contract payments or commissions (Form 1099-MISC), dividends (Form 1099-Div), interest payments (Form 1099-INT), and rents, profits, or other gains (Form 1099-MISC).

Additionally, the IRS may require backup withholding for situations where the taxpayer has been under reporting income, or the company receives notification of an invalid taxpayer id provided by the contractor. The contractor can also voluntarily request backup withholding.

PenSoft Payroll Enterprise and higher offers the ability to process Forms 1099. With these editions, users have the capability to include Backup Withholding Tax to the recipient's setup through the Taxes tab. Data for Forms 1099 MISC, DIV and INT can be printed from within PenSoft Payroll. PenSoft generates the Annual Return of Federal Withholding Tax, Form 945, used to report withheld federal income tax from nonpayroll payments. PenSoft also prints on pre-addressed Forms 1096.

President's Corner

Leroy Newman
President & CEO

New Building

We are excited about being in our new building designed with our operation in mind. With increased efficiency and space for growth we are better prepared to continue providing outstanding products and support in the future.

94X Project Saves Money

After completing the IRS Registration process as an Employment Tax transmitter for our customers PenSoft successfully transmitted a number of our customers' 3rd Quarter 941s. Not only is this a more efficient way for employers and payroll processors to file these returns, it provides positive feedback from the IRS stating they received the form. I encourage you to consider this filing option.

New Employees

Donna Swatsenbarg joined our Administration Department and is one of the friendly voices you will hear if you call to discuss an order. Franceen Jones joined our Support Department and is eager to help customers when they have questions about PenSoft Payroll. Welcome Donna and Franceen.

Employee Milestones

It is with great pleasure I congratulate Stephanie Salavejus, Vice President and COO, on 15 years of superb service with PenSoft. When I first hired Stephanie she was the sole program support person at PenSoft. As the company grew my span of control became too broad so I created a Support and Training Department. Because of her outstanding knowledge and abilities, I named Stephanie the Director of this new Department and the first PenSoft supervisor other than

myself. As we continued to grow I added a Director of Administration and Sales and a Director of Information Systems. Five years ago when I decided to add a Vice President position, Stephanie was the obvious choice. Because of her continued superior performance two years later I also named her our Chief Operating Officer (COO) responsible for daily operations and supervising the three Departments. Thank you so much Stephanie for your outstanding loyalty and service.

Congratulations Sue Dwyer, Tax Librarian and Technical Writer, on completing 5 years of outstanding service with PenSoft.

Save Time and Money

Sign up for electronic filing of your Employment Tax forms. Forms 941, 940, and 944 can now be electronically filed through PenSoft. For more information and to download the contract visit **www.pensoft.com/webservice.asp**

Tips

Loan Deduction Cutoff

Cutoffs can also be used to limit amounts deducted for a loan to the employee. In this case the option to carry any remaining balance forward to the new year should be checked. The amount of the cutoff will be set to the remaining balance in the following year.

W-2 & W-3 E-File Password

If you electronically file Form W-2 and W-3 data, remember to login to BSO and update your password before it expires. Passwords can be updated at any time by logging onto the SSA website **www.ssa.gov/bso/bsowelcome.htm**

Web Resource Link

If you need quick access to the Internal Revenue Service, Social Security Administration or the Department of Labor use the web resource links within PenSoft. Simply click Help, Web Resources, and select the agency website you want to visit.

Deduction Deactivate Feature

When companies pay out discretionary bonuses standard deductions may not apply to this payroll. Use the Deduction De-activation in Payroll to temporarily turn off one or more deductions (withhold zero amounts) for all employees.

Extra Extra!! Good Year-End Practices Saves Employers Time & Money

A wise man once said "Forgiveness is divine, but never pay the IRS more than you have to." Smart words, and even smarter philosophy. Why pay penalties and interest due to errors easily detected through a regular reconciliation process? PenSoft Payroll provides the tools to perform quarterly and annual reconciliations to ensure compliance with federal and state government agencies.

Quarterly reconciliations are beneficial for maintaining the accuracy of tax reports. PenSoft provides a variety of reports ranging from the Auxiliary Subject Wages Summary report to the user defined Summary reports to help with the reconciliation process. Each report is customizable for the specific needs of the user. Many reports can be exported as a txt file, expanding the usefulness of the reports for a variety of purposes.

If a refresher course on reconciling payroll is desired, PenSoft offers a comprehensive Webinar geared toward the basics of reconciliation. Trainers will explain step by step, the purpose, value, and effectiveness of reconciling. Follow along in PenSoft Payroll as various taxability scenarios are explained, examples are provided, and demonstrations are executed. The Year-End Webinar will be held at 2:00 pm Eastern Time on the following dates:

Nov. 5th
Nov. 6th
Nov. 10th
Nov. 13th
Nov. 17th
Nov. 20th
Nov.25th

Space is limited, and seats fill up quickly. Call 888-PENSOFT(888-736-7638) to sign up. Training is only $99 per phone connection! The best value in payroll software also provides the best value in reconciliation for a complete, comprehensive payroll package!!

National Payroll Week

National Payroll Week is celebrated September 1-5!

Can you unscramble these familiar payroll terms? Answers on page four.

BNXLEAANTO   NNMASPCIOTOE

XEFBIELL   NNGIPEDS   TCAUCNO

LSRSPEPAE   CECKH

TCFEIAARE   NPLA

2009 Software Renewals & Tax Forms

Don't forget to renew for 2009 to keep all the same great features you are currently using. Prepaid 2009 software orders ship December 15, 2008 via UPS Next Day Air Saver. Use your enclosed renewal notice to renew TODAY!

Be ready for year-end by ordering your tax forms, too! Prepaid 2008 forms ship on or before November 17, 2008 via UPS Ground. We've enclosed a handy tax form order form with your newsletter.

Q&A

Q. My employees do not always have enough leave to cover days off. Is there an easy way to check their balances while entering payroll?

A. Yes, to check the balances:

- Click Company on the toolbar.
- Highlight the desired company and click Modify.
- Click Settings in the Company Setup window.
- Check the option "Allow checking leave when entering payroll data."

This feature provides a link to access the employee's Leave Details Report from the payroll data entry screen.

Q. Our company is sponsoring a holiday party and we conduct drawings for door prizes. The value of the prizes need to be reported on the employee's W-2. How would I do this in the program?

A. Use the pre-defined fringe benefits income category in the software. This is designed for recording taxable income where the benefit is non-monetary. Include the income with a payroll run and taxes can be withheld for all incomes.

Q. I use your General Ledger Report as a worksheet to assist with the manual entries into my accounting system. I added two new voluntary deductions. Where do I enter the G/L account number into the system?

A. To enter the account numbers:

- Click Reports on the toolbar.
- Select Pay Date Reports.
- Click Report Setup for the General Ledger report.
- Click Setup Accounts to enter the account numbers for new deductions.

Q. I purchased a new computer with the Vista operating system. Will I be able to run my 2005, 2006 and 2007 PenSoft programs on the new computer?

A. Yes. PenSoft will run on Vista for those years. It may require installation of .Net framework version 1.1 if you had PenSoft Payroll Plus. The program requires assigning the common data to a public share folder for the 2005 and 2006 software. Call support at 757-873-1199 for further assistance.

Q. Whenever I view the 940, it shows liability amounts for third and fourth quarter. Why?

A. The form 940 is an annual report designed to be viewed at the end of the year. PenSoft splits the liability based on the end of the year credit and timely state unemployment tax payments. The amount owed at any given time can be determined by viewing the "By Tax" or "By Deposit" report. To assist with the reconciliation, use the FUTA wage list or Exempt list.

Q. Will PenSoft Payroll automatically increase the federal minimum wage when the update is installed?

A. Due to the flexibility of user defined incomes, existing companies must update minimum wage employees manually. To streamline the process and to ensure newly hired employees are set to the new minimum wage, create a default employee with the new hourly wage. New companies started after installing this update will have the new minimum wage set for its employees.

NATIONAL PAYROLL WEEK SCRAMBLE ANSWERS

NONTAXABLE COMPENSATION

FLEXIBLE SPENDING ACCOUNT

PAPERLESS CHECK

CAFETERIA PLAN

Beat the Check Ordering Rush

Preparing for the next calendar year requires a list to ensure a company has everything they need to start the year off right. Many companies include checks to their list along with tax forms and 2009 payroll software. Winter is one of our busiest check printing seasons! Beat the check rush and order your checks now to ensure there is no delay in receiving your checks prior to 2009. Use the enclosed order form or download one at **www.pensoft.com/checks.asp**