

VOLUME 22 • ISSUE 1
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INSIDE...

- 2 **President's Corner**
First 2013 Payroll
- 2 **Training**
Webinar Dates
- 3 **Tips**
Employee Self-Service
- 3 **Q&A**
State UI Rate Notice

2012 Employee Social Security Rate

Of the many government regulations affecting employers and employees, the Affordable Care Act (ACA) has been one of the most highly debated topics of discussion since it was enacted on March 23, 2010.

Many of the provisions were put into effect very soon after the law was enacted and there are many more being phased in over the next several years. PenSoft monitors the ever changing legislation to ensure PenSoft Payroll is up to date and accurate.

Employers should plan now without delay to ensure they are prepared to comply with the ACA in addition to making informed decisions regarding the structure and implementation of the ACA.

While the ACA does not require employers to provide health insurance for their employees, the Employer Responsibility provision of the ACA requires businesses with more than 50 full-time workers to make affordable coverage available.

The following provisions are effective for all employers in 2013.

There are many provisions of the Affordable Care Act effective in 2013.

Additional Medicare Tax on High Earner Wages

The ACA adds an additional 0.9 percent Medicare tax on wages above \$200,000 for individuals and \$250,000 for married couples filing jointly.

Employers are required to withhold the additional Medicare tax from an employee's wages only to the extent that the employee receives wages from the employer in excess of \$200,000

in a calendar year. In determining whether wages exceed \$200,000, an employer does not take into account the employee's filing status or other wages or compensation which may impact the employee's liability for the tax. Excess additional Medicare withheld will be applied against any outstanding liability on the employee's income tax return. PenSoft has updated the 2013 payroll software to calculate the additional Medicare tax rate on wages in excess of \$200,000.00.

It is important for employers to know they cannot accommodate an employee's request to withhold additional Medicare tax on wages of \$200,000 or less. Employees who anticipate they will have a liability for additional Medicare tax may request

See ACA, page 4

20th Anniversary of the Family Medical Leave Act

It is hard to believe it has been twenty years since President Bill Clinton signed the Family and Medical Leave Act into law. This landmark legislation allows employees, working for organizations with 50 or more employees, to take care of the needs of their families without having to worry about losing their jobs.

President Bill Clinton signed the FMLA in 1993

The United States Department of Labor celebrated the event by issuing a final rule implementing two important expansions of FMLA protections. The first expansion provides families of eligible veterans with the same job-

protected FMLA leave currently available to families of military service members and it also enables more military families to take leave for activities that arise when a service member is deployed. The second expansion modifies existing rules so that airline personnel and flight crews are better able to make use of the FMLA's protections.

Those in attendance to celebrate were the former President Bill Clinton, Sen. Chris Dodd, Rep. Rosa DeLauro, and Tina Tchen, executive director of the White House Council on Women and Girls and the First Lady's chief of staff.

In observance of Memorial Day, PenSoft will be closed Monday, May 27th.



PenSoft
151 Enterprise Drive
Newport News, Virginia 23603
P 757.873.2976
F 757.873.1733
info@pensoft.com
support@pensoft.com
www.pensoft.com



Leroy Newman
President & CEO

President's Corner

In the last President's Corner I discussed our scheduled distribution of 2013 PenSoft® Payroll before knowing

the 2013 payroll tax code. As you know our elected federal officials waited until January 1st to come to an agreement. As soon as we received the withholding rates from the Internal Revenue Service we updated the 2013 payroll program and made distribution.

First 2013 Payroll

Many of you had to prepare your first payroll for January 2nd, 3rd or 4th prior to the federal decisions on income tax rates and our program update. Because of these early pay dates, we must continue the policy of making the first distribution of the new year's payroll program in mid-December. This caused the income taxes withheld from your employees after the updates to be slightly different from the original payroll(s). As employers we want our payroll to be accurate so we share your concerns about the late payroll tax decisions.

Medicare Tax Increase

One tax reduction not extended to 2013 was the Medicare Tax holiday of 2%. Therefore, every employee experienced a 2% reduction in pay on their first 2013 paycheck. We had anticipated this reduction would not be extended so our first version released in December had the correct 6.2% employee Medicare tax rate. We have received a number of telephone support calls from our customers asking us to confirm this is correct.

State Income Tax Withholding

Many states base their income tax withholding rates on the federal rates so until the federal rates were decided they could not release their rates. This caused further delays in getting the final rates to many of our customers. The consequence being many of you received multiple updates or, for download only customers, multiple update notices. Please be sure your payroll software is up to date. We believe there will be relatively few, if any, additional updates prior to our normal 1st quarter update scheduled for the 3rd week of March.

PenSoft Employee

We recently added Corey Bing to our programming staff as a Junior Programmer. He comes to us as a college student nearing completion of his bachelor's degree in IT. Corey is expected to quickly be a productive employee and a welcome addition to our programming staff.

Final Note

Please join me in using every means at your disposal to encourage your elected officials to make timely payroll tax decisions in the future so employers will have the correct withholding rates for the first paychecks in the new year.

Upcoming Quarterly Reconciliation Dates

PenSoft's popular quarterly Reconciliation webinar will be offered again starting in March. It will cover the steps to reconcile your tax liability, payroll expense and payroll liability accounts. Earn one RCH during the 60 minutes live webinar while ensuring company and employee setup are correct. The webinar is \$99 per phone connection. The one hour webinar is at 2:00 pm Eastern time on the following dates:

- March 21
- March 26
- March 28
- April 2
- April 4
- April 9
- April 11

Call 888-PENSOFT (888-736-7638) to register.

2013 Quarterly Training at PenSoft

March 11-12

June 10-11

September 9-10

December 9-10

We Have a BLOG!

Visit our new blog at

www.pensoftblog.com

Tips

Employee Self-Service

PenSoft Remote Client has been enhanced with an e-mail notification option so the person processing payroll can be notified when data has been posted as complete and available for processing. Companies will need to be individually setup with the e-mail address to send the notification. After logging into Remote Client from the Payroll screen, click Options. Check the box to notify when data set is completed and ready for processing. Enter in the e-mail address for where the notification is to be sent. All data sets uploaded after electing this option will send an e-mail notification to the address in the setup.

Direct Deposit Report

View and print a listing of all employees and the direct deposit information in their setup including the transaction code assigned. This report is beneficial when setting up preauthorization to test the validity of an employee's bank account information and for verifying the accounts have been changed to "live" transactions after the pre-note process has been complete. To access the report:

- Click Reports on the toolbar.
- Click Other Reports.
- Click Direct Deposit.

Q&A

Q. Is there a report I can generate to provide a complete setup of each employee?

A. Yes. Select the Employee Setup report to display a complete record of each employee. Click Reports on the toolbar and select Other Reports to find the Employee Setup report on the left.

Q. Why does the tax rate for Medicare - Employee appear as N/A on the Company Tax List?

A. Due to the new regulations surrounding employee Medicare wages in excess of \$200,000 annually, PenSoft Payroll now utilizes a formula rather than a flat rate when calculating the contribution amount. For more information visit: www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax

Q. I received my state unemployment tax rate notice for the upcoming year. How do I enter the new rate into PenSoft?

A. To enter the new rate:

- Click Company
- Highlight the desired company.
- Click Modify.
- Click State Setup.
- Enter the appropriate percentage
- Click OK

NOTE: Rates are entered into PenSoft Payroll as a percentage rather than a multiplier. If the notice indicates it is a percent, enter the rate exactly as it appears. If the number extends far beyond the right of the decimal point, it may be a multiplier. In this case, move the decimal two places to the right to arrive at the percentage and then enter the result into PenSoft Payroll.

Q. Where can I change Line 16 on Form 941 to reflect Semiweekly filing status?

A. To select the appropriate filing status:

- Click Reports on the toolbar.
- Click Tax Reports.
- Click Form 941.
- Select a report period.
- Click OK.
- Click Setup.
- Select "Semiweekly schedule" from the upper left corner.
- Click OK to save the change.

their employer deduct and withhold an additional amount of income tax by submitting a request for additional withholding on the Form W-4.

Reporting of Employer-Sponsored Health Coverage on Form W-2

The ACA requires employers to report the cost of coverage under an employer-sponsored group health plan on an employee's Form W-2, Wage and Tax Statement, in Box 12, using Code DD. PenSoft has implemented a deduction for reporting the company paid health care premiums on Form W-2. The deduction, Health Care – Company, is predefined to include the appropriate Box 12 code “DD” for accurate reporting. Premium amounts can be entered on a payroll by payroll basis in the employee setup or on the last payroll of the year in a lump sum. The U.S. Treasury has stated this reporting is for informational purposes only, to show employees with greater transparency the cost of their health care benefits so they can be more informed consumers.

Contribution Limits on Flexible Spending Arrangements

Individuals cannot contribute more than \$2,500 to a health care flexible spending account (FSA). The \$2,500 limit will be indexed for cost-of-living adjustments for plan years beginning after December 31, 2013. There is also legislation in Congress to eliminate the current “use-it-or-lose-it” provisions of FSAs, but this provision has not yet been enacted. PenSoft payroll provides the ability to setup user defined FSAs. It is important employers update their user defined FSA deductions to reflect current year contribution limits.

Looking Ahead to 2014 and Beyond

On June 28th, 2012 the Supreme Court upheld the constitutionality of the ACA meaning this law continues to move forward. It is extremely important employers understand the new requirements and mandates slated to impact their employees; the company's benefits program as well as their financial statements.

The Employer Shared Responsibility provisions are scheduled to go into effect on January 1, 2014. Employers will use information about the employees they employ during 2013 to determine whether they employ enough employees to be subject to these new provisions in 2014. Even if this legislation does not impact your company immediately it may in the near future.

Employers can find valuable information and answers too many of their questions from the following agencies:

Internal Revenue Service

www.irs.gov/uac/Affordable-Care-Act-of-2010:-News-Releases,-Multimedia-and-Legal-Guidance

www.irs.gov/uac/Newsroom/Questions-and-Answers-on-Employer-Shared-Responsibility-Provisions-Under-the-Affordable-Care-Act

Department of Health and Human Services

www.healthcare.gov

United States Department of Labor

www.dol.gov/ebsa/healthreform

PenSoft will continue to follow the legislation at both the federal and state levels. Watch for articles in future newsletters to keep abreast of the options available to you and your employees, as well as to how the changes will impact your business.

Leroy Newman
President & CEO

Stephanie Salavejus, CPP
Vice President & COO

Melineé Cody, CPP
Director of Support & Training

Heidi Heretick
Director of Sales & Marketing

Paul MacDonald, MCSE
Director of Information Systems

Contributing Writers
Program Support Department
Information Systems Department

PenSoft
151 Enterprise Drive
Newport News, VA 23603

Info: 757-873-2976
Support: 757-873-1199
Fax: 757-873-1733

info@pensoft.com
support@pensoft.com
www.pensoft.com

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