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One Bad Apple

Many PenSoft Payroll clients outsource their tax payment process to a third party provider. Clients have called expressing concern after reading reports of a few service providers defrauding their clients. These reports have resulted in damaging the reputation of the entire industry.

When news of this fraud reached the public, taxpayers outcry resulted in legislators introducing legislation to protect taxpayers from the misappropriate handling of funds held in trust by service providers.

While the immediate response from legislators is appreciated, the enactment of a bill can be a long and frustrating process. Also legislation cannot completely protect taxpayers without taxpayers/employers taking an active role in protecting their reputation and business. It

is critical employers understand their roles and responsibilities.

It does not matter whether an employer processes payroll in-house then outsources the tax payment portion or completely outsources all payroll functions; they are still legally responsible for all payroll taxes due. Failing to ensure the service provider is honoring their responsibilities can result in employers being required to pay their tax liability twice and being liable for penalties and interest assessed on the tax liability.

During these economically challenging times many small businesses would not be able to recover from such a financial loss and could be forced to close their business but this does not have to be the case.

Avoid Becoming A Victim

- Employers should enroll in the electronic federal tax payment system (EFTPS) and make sure the payroll service provider or reporting agent

*See **Apple**, page 4*

Avoid Becoming a Victim One bad apple spoils the whole bunch

Use or Lose - FSA

A Flexible Spending Account offers tax savings by allowing employees to pay for out-of-pocket expenses with pre-tax money. Deductible medical expenses, as defined by the Internal Revenue Service, not reimbursable through your insurance can be reimbursed through the Flexible Spending Account.

FSA plans have become a popular offering in employer benefit packages. The ability to defer pre-tax compensation during the year to help pay for high deductibles, co-insurance, prescriptions and even surgical procedures not typically covered by insurance plans is alluring to employees. The biggest drawback to FSA accounts is the looming deadline of the "use or lose" feature at the end of each plan year. Employees with funds

remaining in the account typically have a grace period of two and a half months to scramble to use the leftover funds or risk losing these hard earned dollars to administrative fees for the plan.

Under a newly modified rule, the IRS is allowing amounts up to \$500 to be carried over to the following plan year. There is no effect on the current \$2,500 maximum contribution limit. Dollars in excess of the \$500 carryover will be forfeited.

Employers will have to decide whether to amend their plan document to allow the carryover or decline and stay with their current plan. Amended plans would void the customarily recognized grace period meaning all activity, receipts and claims must be completed by the end

*See **FSA**, page 4*

New FSA Rule IRS is now allowing up to \$500 to be carried over to the next plan year.

In observance of Christmas, PenSoft will be closed December 24 -25. In observance of the New Year, PenSoft will be closed January 1, 2014.



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

As another year comes to a close, we thank you for the opportunity to continue to serve your payroll software needs. We are diligently working on 2014 PenSoft® Payroll updating the known tax code changes and testing to ensure another good software conversion year.

Tax Updates

We expect delays in getting some of the 2014 tax code changes from both the federal government and some States as their legislative bodies continue their work. We will initially release 2014 PenSoft Payroll as scheduled on December 16th with as much of the final tax code as possible. Then we will send updates as additional changes are made available. We apologize for any inconvenience this may cause but it is clearly beyond our control and we thank you in advance for your patience.

We are expecting the 2013 FUTA report updates in time for our 4th Quarter 2013 software update.

Affordable Care Act

The Affordable Care Act implementation has gotten off to a rocky start, but with patience many previously uninsured people have been able to obtain health insurance. As I write this article President Obama is diligently working the unexpected issue of millions of insurance policies being cancelled either because they didn't meet the minimum requirements of this Act or the employers determined it would be less expensive for them to drop their employee policies in favor of the national insurance program.

PenSoft Movie

We recently added a short PenSoft introductory video on our website www.pensoft.com/movie. It also can be found by selecting "Why PenSoft" on the topline "Videos & Demos" drop down menu. Check it out and tell your friends.

2014 Training Available

Reconciliation Webinar

The PenSoft Federal Reporting and Quarterly Reconciliation webinar will be back by popular demand this spring! PenSoft users can sign up for 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.

This webinar has been approved by the American Payroll Association (APA) for 1 Recertification Credit Hour (RCH) for one year from the original broadcast date. To earn the RCH

Employees

Joe Griffith, Senior Programmer, celebrated 20 years of loyal service with PenSoft. He was presented with the 20-year watch with a diamond studded bevel. Joe was hired in 1993 as our first Windows® programmer when our payroll software was a DOS product. Through his efforts a 16-bit Windows program was introduced for product year 1996. For 1998 he released a 32-bit product and for 2000 another version was released to replace all the DOS, 16-bit and 32-bit programs maintained in 1999. After another generation and many enhancements we have the product currently being distributed. Joe has been the driving force behind all these window products. With the help of other programmers Joe is leading the work on the next generation software with even more enhancements for release later. His drive and abilities to develop our superior payroll software products have been truly outstanding and instrumental in PenSoft's continued growth. Congratulations Joe!

Jasmine Cody, Payroll Specialist, prepared for and passed the American Payroll Association's Fundamental Payroll Certification (FPC) test. Her enthusiasm, drive and devotion to the payroll industry were important factors in her success. We look forward to bigger and better things from Jasmine as she continues to grow in our business. Congratulations Jasmine!

Wendy Gay, Program Consultant, became our employee after working with us for 4 months as a temporary employee in the Support and Training Department. She comes to us experienced in payroll processing and in a short time she has become proficient in PenSoft Payroll and is an asset to Program Support. Welcome Wendy.

Marion Evans, Administrative Assistant, also became our employee after working with us for 4 months as a temporary employee in the Sales and Administration Department. Marion has a strong administrative background and quickly became an asset to Administration. Welcome Marion.

credit, you must listen to the entire 60 minute webinar. The webinar will be held at 2:00 pm eastern time on the following dates:

- March 20
- March 25
- March 27
- April 1
- April 3
- April 8
- April 10

Space is limited and seats fill up quickly! To sign up, call 888-PENSOFT (888-736-7638).

Best Wishes for a happy holiday season and our sincere thanks for your loyalty and goodwill throughout the year.

Q&A

Q. I have recorded all Federal Unemployment Tax deposits for the year. When I printed the tax report, Line 14 on the Form 940 shows a balance due. Why?

A. View part 3 of the Form 940 for adjustments. If your state is a credit reduction state, the increased FUTA tax liability is not incurred until the fourth quarter and will result in a balance due.

Q. I've been deducting my employee's portion of medical insurance throughout the year. However, only the company paid portion is listed on the W-2. How do I include the employee's portion?

A. For the employee health care to print on the W-2, enter in the code "DD" in the Form W-2 Code box. To set the code:

- Click Setup on the menu.
- Select Company.
- Click Deduction List.
- Highlight the user defined insurance deduction.
- Click Modify.
- Enter DD in the Form W-2 Code box.
- Click OK.

Q. Our year-end reconciliation includes verifying the values are correct on employee W-2s. When I multiplied the amount in Box 5 (Medicare wages and tips) by 1.45%, the value is different from what appears in Box 6. What could cause this discrepancy?

A. If the employee's wages are in excess of \$200,000, those wages are subject to the additional 0.9% Medicare tax. Box 6 will include the total of all Medicare tax withheld for the employee. If this is not the case, there may be a problem with the employee's subject wages. Call Program Support at 757-873-1199 for assistance.

2013 Tax Forms

Preordered 2013 forms have shipped!
Please verify you have received your order.

There is still time to order forms!
Call 888-PENSOFT (888-736-7638)

2014 Software

Preordered 2014 software ships
December 16, 2013!

Tech Tip

PenSoft RSS Feeds

Real Simple Syndication (RSS) feeds are an easy way to keep up with important updates and helps avoid spending valuable time searching for updates on PenSoft's website. Learn when updates are available by having the news delivered directly to you.

RSS feeds are a very effective method of communication. An advantage of subscribing to RSS feeds is they are not susceptible to being quarantined in spam filters like traditional e-mail, resulting in the reliable delivery of important information.

Most web browsers have built in RSS readers. If your browser does not currently support RSS, there are RSS readers available for download. Most of the downloadable RSS readers are available at no cost.

To subscribe to the RSS feed for 2013 PenSoft Payroll, follow these steps:

- Visit www.pensoft.com/customers/login.aspx.
- Click the orange icon next to "2013 PenSoft Payroll."
- Click "Subscribe to this feed."

Properly utilizing RSS feed subscriptions will enable you to get more accomplished efficiently and maintain your company's compliance by keeping your software updated with the most recent tax updates.

TIP: Follow the steps above once the 2014 software has been released to subscribe to the 2014 RSS feed!

PenSoft is dedicated to providing tools to allow our customers to accomplish more in less time so they can get back to what is most important... running their business.

is using EFTPS to make tax deposits. EFTPS provides employers with online access to view their payment history when deposits are made under their employer identification number. This service allows employers the ability to monitor and ensure their service provider is properly depositing their tax deposits.

- Employers should keep their address on file with the Internal Revenue Service (IRS). Employers will have immediate access to any notices, bills or correspondence sent by the IRS. Inquire with the service provider as to why you are receiving a notice. This will alert the service provider you are engaged in ensuring they are meeting their responsibilities.
- Employers should get referrals from other area businesses using the service provider. Do not be hesitant to ask the hard questions. Inform the service provider you will be inquiring about their customer service and professional reputation.
- Employers should verify the credentials of the service provider. If the service provider states they are SSAE16 compliant, ask to see the letter. Be sure the audit results are recent.
- Employees should inquire if the service provider is bonded. Inquire if the service provider's insurance coverage includes fidelity and liability from errors and omissions.
- Employers should receive a written statement from their service provider detailing the employer's responsibilities including a reminder that the employer, not the service provider or reporting agent, is legally responsible for the filing of returns and payment of any tax due in a timely manner. This statement must be provided upon entering into a contract with the service provider and at a minimum quarterly after entering into a contract.

Even if employers follow the recommended steps of due diligence, there is no guarantee of not becoming a victim of an unscrupulous service provider.

Also, a SSAE 16 certification is not a guarantee the service provider is reputable. The purpose of a SSAE 16 audit is to provide assurance the examined controls are effective but the employer should not assume the service provider has implemented all the appropriate controls. Employers need to fully review the complete evaluation report.

When considering outsourcing to a service provider, it is important employers exercise appropriate due diligence before entering into a contract for services. When it comes to safe-guarding your professional reputation and continued operation, take the time to make sure the service provider is a good fit.

FSA, continued from page 1

of the calendar year. Amended plans must be implemented by the last day of the plan year.

The objective is to provide flexibility so employees can rest easy knowing the funds they contribute to the plan will not be completely lost if they cannot use it all in a calendar year. This change can result in increased employee interest in participating in the employer's FSA plan.

Employers interested in learning more about the modification of the FSA use-or-lose rule should visit www.irs.gov/pub/irs-drop/n-13-71.pdf or consult your administrator.

Training, continued from page 2

Quarterly Training

Our comprehensive training sessions will lead you through PenSoft Payroll and relate to real-life payroll situations.

The Day 1 payroll training and optional Day 2 workshops at PenSoft will provide in-depth knowledge of the payroll program. The content covers setup, processing payroll and reconciliation functions within the payroll program. Sign up early for any of the available dates below:

- March 10-11
- June 9-10
- September 8-9
- December 8-9

Visit www.pensoft.com/training/payrolltraining_registration.aspx or call our sales department at 888-PENSOFT (888-736-7638) to register.

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
Sales 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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