

VOLUME 26 • ISSUE 4
Winter 2017

INSIDE...

2 President's Corner
2018

2 Tech Tip
WPA2 Flaw

3 Q&A
ACA Reporting

In observance of
Christmas, PenSoft
will be closed
December 25-26.
In observance of the
New Year, PenSoft
will be closed
January 1, 2018.



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

Key Changes Impacting Payroll in 2018

Most experts are predicting 2018 will be one of the busiest for employers and payroll departments if the tax reform bill passes. The bill includes changes that could dramatically impact employer's benefit plans and require a significant update to PenSoft Payroll.

PenSoft is keeping a close watch for announcements from the American Payroll Association and Bloomberg BNA. We utilize the late-breaking news and year-end clearinghouse for changes impacting our clients' payroll.

Our tax librarians utilize these reliable sources for maintaining the extensive library of tax employment forms PenSoft Payroll supports.

Federal Updates

As of this printing the following federal updates for 2018 have been released.

The monthly limitation for the qualified transportation fringe benefit and qualified parking is to increase to \$260 from \$255, and other tax benefits are to increase slightly in 2018 due to inflation adjustments.

W-2 Form due date for filing with Social Security Administration (SSA) is January 31st using Business Services Online or to submit paper Form W-2.

January 31st is the deadline to distribute Forms W-2 to employee(s). Be sure to verify state deadline for filing W-2s.

Remind employees to submit a new Form W-4 if their withholding allowances have changed in 2017, or are claiming exempt for 2018.

Affordable Care Act Reporting for 2017! No repeal or replace. The President's executive order created confusion for taxpayers and employers. Close monitoring of filing due dates necessary for

See 2018, page 4

2018 What Changes Can You Anticipate in 2018?

New Customer Orientation Training

"Customer orientation training helped us unlock the full value of PenSoft Payroll for our organization." CBS - California

"It is amazing how 30 minutes of training can be so beneficial. Highlighting PenSoft Payroll best practices saved our company time and money." DMD - Michigan

There are no one-size fits all solutions for payroll software because no two organizations are exactly alike, so PenSoft launched new customer orientation training to ensure customers have a solid foundation for processing their company payroll efficiently and accurately.

PenSoft understands when you get your new software you want to jump in and start using the software, but you need to spend some time

to set up PenSoft Payroll first. Our highly trained consultants will guide you through the setup process highlighting mandatory data input and data elements you can add at a later date.

The process begins with a welcome e-mail inviting you to register for the FREE 30-minute one-on-one session. The registration process includes a listing of available dates/times so you can select when it fits within your busy schedule.

After registering you will be contacted to complete a short questionnaire. The questionnaire helps us understand your organizational payroll requirements and puts us in the best position to know who, where, and how you will be using PenSoft Payroll.

See Orientation, page 3



Leroy Newman
President & CEO

President's Corner

As we near the end of 2017 and look back over the year we realize it has been a tragic year for many of our customers - particularly those in the paths of the hurricanes and terrorist attacks. Our thoughts and prayers to those affected. We hope 2018 will be a better year.

2018 PenSoft Payroll

We are progressing on the 2018 software and will have it ready for distribution as scheduled on December 18th. As a reminder all 2018 software is distributed as a download only product. If you have difficulty downloading it, call Program Support for assistance at (757) 873-1199.

2018 Hosted PenSoft Payroll

2017 Hosted Solution customers can sit back and relax. PenSoft automatically installs and registers your 2018 software so it will be ready for your first payroll of the year. You will continue to have access to 2017 for 4th quarter and year-end reporting, W-2s, etc.

If you are considering the advantages of the Hosted solution (mobility, monthly versus annual billing, software updates, etc.) over the desktop solution, this is the best time of the year to convert and start 2018 on the Hosted solution. Customers signing up for 2018 this December and start using it in January 2018 will not incur a bill until early February for the month of January. We are adding a "go live" date in the contract to facilitate signing up early.

Due to the complexities of conversion from the desktop solution to the Hosted solution the following is being added to the Hosted solution agreement:

- "Go live" date.
- Formula for determining the credit for customers converting during the year to the Hosted solution who have already purchased the desktop solution.
- Formula for determining the cost of conversion from the Hosted solution to desktop during the year.

Virginia Statewide Payroll Conference

PenSoft was a gold sponsor of the 17th annual Virginia Statewide Payroll Conference held in Richmond, Virginia October 11 - 13. Two of PenSoft employees delivered educational sessions. Melinee' Cody, CPP, Director of Program Support and Training presented "W-2 Anatomy: 101". Melinee' and Jasmine Jones, CPP, Payroll Specialist presented "Prescription for Year-End Blues". These presentations targeted end of year issues payroll professionals are challenged with each year. Heidi Heretick, Director of Sales and Marketing, worked the PenSoft booth networking and engaging with 190 payroll professionals from the seven local APA chapters. Additionally, PenSoft won the "Exhibitor Best Themed Booth Award".

Holiday Season

We wish you and yours a happy and healthy holiday season and a successful new year.

Tech Tip

WPA2 Flaw

A recently discovered vulnerability in the WPA2 (Wi-Fi Protected Access 2) protocol makes it possible for attackers to "listen in" on wi-fi traffic between computers and access points. The exploit - called KRACK (Key Reinstallation Attacks) can compromise the WPA2 protocol of almost all wi-fi devices, including Android, Apple, Linux, and Windows devices. As the vulnerability is in the protocol itself, individual products are not immune.

Because the exploit can monitor traffic that is supposed to be encrypted, attackers can steal information as it passes from one wi-fi device to another, such as from a computer or tablet to a wi-fi access point. User names, passwords, correspondence, and financial information are all subject to being stolen. In some cases, the exploit can also be used to inject data - including viruses or other malware - into the traffic being passed back and forth, leaving users and their data potentially even more exposed.

There is no inherent way to protect yourself against this exploit. While it is expected manufacturers will release patches and software updates to address this issue, for the time being the only sure way to protect yourself is to disable wi-fi on all your devices. Make a point of checking with your device manufacturers so you know if and when they plan to release fixes for this issue, and then make a point of updating as soon as possible. Treat this as both urgent and important.

Warm greetings for the upcoming holiday season. May you get to enjoy moments of togetherness and joy with your friends and family members.

Happy Holidays from PenSoft!

Orientation, continued from page 1

We will cover the basics of:

- Installation
- Company Setup
- Personnel Setup
- Deposit Payments
- Checks/Direct Deposit
- Reports
- Backup and User Setup

Our focus is on you the customer and your success in transitioning to PenSoft Payroll with confidence. Our proactive company specific approach ensures our customers are getting the value they expect from PenSoft Payroll.

Register TODAY! <https://register.gotowebinar.com/rt/3290746326506309379>

Q&A

Q. Our company processed our ACA reporting in-house for 2016, but we want to outsource the reporting for 2017. What service does PenSoft offer for complying with ACA reporting?

A. PenSoft partnered with Integrity Data to fulfill our customer's ACA reporting needs. Integrity Data is a full-service solution taking the burden off the employer.

PenSoft Payroll creates a file of raw payroll data you upload to Integrity Data per payroll. Integrity Data analyzes the data and sends alerts when conditions require employers to review or address issues such as offers of coverage.

Integrity Data will continuously monitor employee eligibility for coverage, test for affordability of coverage offered, and when an offer of coverage is required, thus providing your company with year-round penalty risk management.

Call 757-873-2976 for pricing or visit www.pensoft.com/services/aca.aspx for more information.

Q. Our company is new to using the "special accounting" rule for non-cash fringe benefits. Is there anything "special" about entering the information in the 2018 software and can I enter in the information before I close out 2017?

A. There are no special steps required for recording non-cash fringe benefits under the "special accounting" rule (non-cash fringe benefits paid in November & December can be recorded in the subsequent year*) in 2018 PenSoft Payroll. We recommend processing non-cash fringe benefits with a regular payroll run to ensure adequate income to withhold the taxes. You can process the fringe benefit value using the pre-defined income category fringe benefits or create a user-defined income category. Contact Program Support for assistance in creating the user-defined category to ensure proper configuration.

There is no closing process for transitioning from 2017 PenSoft Payroll to 2018 PenSoft Payroll. Once you have transferred your final company and employee data to 2018, you can process payroll in 2018 while you are finalizing your 2017 year-end reports.

*IRS is the authority on taxation of Fringe Benefits. Please refer to Publication 15-B on how to properly process fringe benefits. <https://www.irs.gov/publications/p15b/ar02.html>

IRS Publication 17 outlines "Special Accounting Rule" as it relates to fringe benefits. <https://www.irs.gov/publications/p17/ch05.html>

Q. Several of our employees have submitted requests for additional tax withholding for the remaining 2017 pay periods. How do I setup the additional withholdings in PenSoft Payroll?

A. Your question is a common one to our Program Consultants this time of year! The process to setup additional withholding for federal and/or state withholding is:

- Click Personnel
- Click Employees
- Highlight desired employee
- Click Setup
- Click Taxes in the Payroll Setup area
- Click Add
- Highlight Federal Income Tax Additional or State Income Tax Additional*
- Click OK
- Enter the amount
- Click OK
- Click Close to save changes

*Repeat the process if the employee requests both federal and state additional withholding.

2018, continued from page 1

all stakeholders and employers must have a compliance strategy in place for 2017. NO extended due dates for Forms 1094/1095.

- January 31, 2018 - Provide Form 1095-C to all ACA-defined full-time employees
- February 28, 2018 - Mail transmittal Form 1094-C to the IRS
- March 31, 2018- E-file Form 1094-C with the IRS

Social Security (OASDI) Wage Base for 2017 is 128,700

High-Low per Diem Rates for 2018. The rates used with the high-low substantiation method for per diem substantiation of business travel costs, effective from Oct. 1, 2017, to Sept. 30, 2018, are increased to \$284 from \$282 for travel to any high-cost location. The rates for travel to other locations in the continental U.S. are to increase to \$191 from \$189. The amount of the \$284 high rate and \$191 low rate allocated for meals remains \$68 for travel to any high-cost locality and \$57 for travel to any other location in the continental U.S.

Retirement Plan Contribution Limits

- The contribution limit for employees who participate in 401(k), 403(b), and most 457 plans in 2018 is to increase to \$18,500 from \$18,000.
- The catch-up contribution limit remains unchanged at \$6,000 while the limit regarding SIMPLE retirement accounts remains unchanged at \$12,500.
- The compensation limit used in defining a highly compensated employee for 2018 remains unchanged at \$120,000.
- The annual compensation limit for qualified plans is to increase to \$275,000 from \$270,000, and the deposit limitation for defined contribution plans is to increase to \$55,000 from \$54,000.
- The dollar limitation of “key employee” in a top-heavy plan remains at \$175,000 for 2018.
- Section 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans.

States Updates

- States have been following the federal’s lead in implementing an earlier date for Forms W-2. Currently, 21 states, the District of Columbia, and Puerto Rico have new deadlines. Be sure to check the filing date and other requirements for your state to avoid penalties for late filing.
- Most state unemployment agencies released the UI wage bases for 2018. All officially released wage bases received before the December 18th release are included in PenSoft Payroll. Watch your e-mail for notices of updates after the initial release.
- There will be a new Public Transportation Payroll Tax on employee wages in Oregon, effective July 1, 2018. The bill requires employers to withhold a tax of 0.1% from the wages of resident employees and nonresident employees working in Oregon and remit this new tax to the Oregon Department of Revenue. Willful failure to comply can result in a penalty of \$250 per employee, plus the tax withholding amount up to a maximum of \$25,000.
- At least 18 states are known to be raising their hourly minimum wage in the upcoming year. Generally, employers must pay the higher of the federal or state minimum wage rate.
- Paid Sick Leave - Washington’s paid-sick-leave requirements are effective on Jan. 1, 2018, and New York’s paid family-leave requirements are to be phased in over four years, starting Jan. 1, 2018.
- On November 13, 2017 the Department of Labor announced that California and the U.S. Virgin Islands will have a Federal Unemployment Tax Act Credit Reduction.

Several of PenSoft’s staff serves on the Government Relations Task Force in effort to maintain a front row seat in working closely with the IRS to ensure our clients’ concerns are shared and to obtain the latest information about federal tax compliance changes.

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
Published 4 times a year.
©2017 Peninsula Software of Virginia, Inc.

PenSoft is a registered trademark of Peninsula Software of Virginia, Inc.
All other product names are trademarks of their respective companies.
Articles published in this newsletter are intended as general guidelines. PenSoft shall not be liable to any person or entity with respect to any liability, loss, or damage caused or alleged to be caused directly or indirectly by this publication.