

Payroll Newsletter

New 2009 Updates

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The Obama Administration is working on numerous changes, many that will directly affect your paycheck. The American Recovery and Reinvestment Act of 2009 (ARRA) has instituted several of those changes and the proposed fiscal year 2010 federal budget will include more. Below is a list of some of the most pertinent payroll changes as well as proposals of interest.

* Revised 2009 Federal Income Tax Withholding Tables:

New withholding tables set forth under the ARRA may reduce the amount of federal income tax withheld from your paycheck. The proposed federal budget will try to make this year's withholding tables permanent, also known as the "Making Work Pay" tax cut. Under the new withholding tables most people will have an extra \$13 or so in their paychecks each pay – which will add up to about \$400 for individuals, \$800 for couples filing jointly, by the end of the year. Don't worry, you will not be penalized when you

file your 2009 tax return – the tables have changed so that you are allowed to take home and keep that extra money. However, if you or your employees are worried they will still owe next year, simply fill out a new W4 and submit it to your payroll representative. Please note that you do not need to fill out a new W4 unless you want to change your current exemptions.

* COBRA Premium Subsidy:

To help laid off Americans maintain their health insurance the ARRA has revised the COBRA rule. See below for more detailed information.

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COBRA: Revealed

The Consolidated Omnibus Budget Reconciliation Act (COBRA) provides families and individuals the opportunity to retain their health insurance benefits that they lost when they lost their job. Certain circumstances apply – such as voluntary or involuntary termination, reduction in hours worked, and other life events. The health benefits are only available for a limited amount

of time and the qualified individual may be required to pay up to 102% of the cost of the plan, which can include the employer's cost. The act requires employers of 20 employees or more to extend these benefits when circumstances apply.

Under the ARRA the responsibilities of the employer and employee have changed. Effective February 17, 2009, the

qualified individual will only have to pay 35% of the premium. The employer who has to pay the remaining 65% of the premium may recover the subsidy by taking that amount as a credit against their quarterly employment tax deposit – either by offsetting the payroll deposit or on Form 941. If an overpayment results – the employer has paid all taxes on time and applies the subsidy

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Radcliffe
PAYROLL SERVICES
Certified Payroll Professionals

Suite 1

870 High Street

Chestertown MD 21620

Tel. 410.778.1099 ext 2

Fax. 410.778.7988

www.radcliffepayroll.net

Product of the Quarter:

Direct Deposit

We all know the routine – Friday is payday, but you will not be able to make it to the bank in time to have the check post the same day. So now you have to go through the entire weekend without being able to deposit your paycheck. Your employees are complaining because they are in the same boat. So what do you do?

Switch to direct deposit, of course! With direct deposit your paycheck is in your account the day it should be – you are no longer dependant on the bank's hours.

As an employer, if all of your employees switch to direct deposit, your job just got easier. Instead of having to reconcile each and every paycheck, all you will have to do is match the sum of the net direct deposits to your bank account – that's it, just one number to reconcile!

Your employees will be happy too – their money is in their bank account (or accounts) on payday. That's another beauty of direct deposit – the ability to deposit parts of your paycheck to different accounts. For example, help yourself save more by

directing a percentage or a flat dollar amount to your savings account.

Direct deposit is a win-win, for you and your employees. You can ask your payroll representative for more information, or go to our website, under "Direct Deposit." If an employee does not have a bank account or otherwise prefers not to deposit into the account they have, encourage them to check out the TFG debit cards. Information on the debit cards is also available under "Direct Deposit" on our website.

FAST ALERTS

Undeliverable W-2's – If you have any W2's that you have mailed out but were returned, you must keep them for four years. However if you have an electronic copy that can be produced through April 15th of the fourth year you do not need to keep the paper copy.

New I-9's – From now until 4/2/09 you can use the form that has a revision date of 06/05/07, found on the lower left-hand corner of the form. But starting 4/3/09 a new form will be available and you must use that form. To check that you are using the right form after April 3rd look for a revision date of 2/2/09. Both forms can be found at U.S. Citizenship and Immigration Services' website: <http://www.uscis.gov>.

New forms – If you need to replenish your forms or replace outdated ones, such as W4's, I9's, and direct deposit authorizations, look no further than our website! Simply go to the "Tools & Forms" section and print or download what you need. In that same section are the FrontRow or ViewChoice downloads – then you will be able to view your payroll reports electronically.

COBRA: Revealed

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on the quarterly return– the credit can be applied to the next return or refunded. The credit will only be available after the employer has received the 35% premium from the qualified individual. Under the transition rule the original premium can be paid up to 2 months (for example, through March and April) and the subsidy can be applied retroactively.

No supporting documentation is necessary to attach to the 941, though the employer must retain all documents pertaining to the benefit plan and the premium payments,

including proof of each qualifying individual's eligibility during September 1, 2008 through December 1, 2009 and throughout the COBRA coverage. For those individuals who are eligible for COBRA, the qualifying event must occur before December 1, 2009. The subsidy may apply for up to nine months. Please contact your payroll representative for more information. Information about COBRA can be found at: <http://www.dol.gov/dol/topic/health-plans/cobra.htm>. The IRS has issued a press release and a series of Q&A's on their website, at <http://www.irs.gov>.

New 2009 Updates

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* Credit Card Payments:

If your 940 and/or 941 shows a balance due, you can now pay the balance using a credit card. Please note that you cannot use a credit or debit card to make your normal federal tax deposit.

Taxpayers making payments with a debit or credit card will incur convenience fees and charges from the electronic service provider and those fees vary by provider. The payments can be made by phone, the Internet, or when e-filing. The IRS will not reimburse any convenience fees but does allow it as a deductible business expense. Contact your payroll representative if you would like more information.

* Minimum Wage Raise:

The proposed federal budget includes a raise in minimum wage to \$9.50 an hour by 2011. The current minimum wage that is in effect (\$6.55/hour) will go up to \$7.25 on July 24, 2009.

* Automatic Pension Plan Enrollment:

This proposal in the budget will require employers to automatically enroll employees into their company's pension plans – turning pensions into an opt-out, instead of an opt-in program. If employers do not offer pension plans they will be required to enroll their employees in a direct deposit IRA account, which will be compatible with the existing direct deposit system and will also be an opt-out program.

* Family and Medical Leave Act (FMLA) Expansion:

This proposal expands the current FMLA to cover businesses with 25 or more employees – previously it covered larger businesses, with 50 or more employees. It will also permit more extended leave, including participation in children's activities (up to 24 hours a year), home care for individuals in the employee's household for six months or more, and care to address issues such as elder care, domestic violence, and sexual assault.

* Sick Time Benefits Expansion:

This proposal would require employers to extend paid sick leave to seven days per year.

* Small Business Health Tax Credit:

This proposal is to help small businesses provide health insurance to their employees. These businesses will be eligible for a tax credit for their health plans.

* American Jobs Tax Credit:

This proposal will be for existing businesses, who will receive a \$3,000 refundable tax credit for each additional full-time employee hired in the U.S. This tax credit will be temporary, for 2009 and 2010.

* Penalty-free Hardship Withdrawals from IRAs and 401(k) Plans:

This proposal will allow participants in an IRA and 401(k) plan to withdraw 15% or up to \$10,000 from their accounts without penalty. The withdrawal will still be subject to normal taxes, however. This proposal would be retroactive for 2008 and includes 2009.

* Savers Credit:

Formerly known as the Retirement Savings Contributions Credit, this tax credit applies to employees who make eligible contributions to IRA, 401(k) and certain other retirement plans. The credit is a percentage of the contribution amount, with the highest rate for taxpayers with the least income. Income restrictions do apply, so not everyone is eligible. Under the proposed federal budget the credit will be fully refundable and will increase the match to 50% for the first \$1,000 of retirement savings for families making less than \$65,000.

* Federal Wage Reporting Process:

The new administration under the proposed budget seeks to increase the frequency that wages are reported to the Social Security Administration.

NOTES FROM RANDY'S DESK...

This issue of our newsletter is primarily dedicated to information relating to changes in payroll laws that are soon scheduled to take effect. Although designed to help the economy (and do we ever need it!) many of these laws are also creating an additional burden upon the employer. We want you to know that we are keeping abreast of these changes and that we are in a position to help you with your compliance. If you have any questions or concerns about the new requirements, please give us a call. We are always available for your concerns and questions.

Are you or your employees....

Worried about identity protection?

Want to do more to protect your finances from theft?



LifeLock can help!

Contact your payroll representative for more information on **LifeLock**.



We'd like to hear from you!

Do you have any suggestions for future articles?

What payroll/HR questions or concerns would you like to see addressed?

Give us a call and let us know – or fill in the space below and send this back.

I am interested in learning more about: (check all that apply)

EASY CHOICE HUMAN RESOURCES ANSWERLINK

Get all of your human resource questions answered by the professionals. An essential component to any size business.

EASY CHOICE HARTFORD WORKERS COMPENSATION

Enhance your cash flow! No more down payments or year end audits. Great rates with our pay-as-you-go solution.

TIME AND ATTENDANCE SYSTEMS

Save 2-4% of gross payroll by automating time and attendance.

RETIREMENT SOLUTION

Want to offer a retirement plan to your employees? Our representatives will help you formulate a plan to match your company's and employees' needs.

ONLINE EMPLOYER & EMPLOYEE SELF SERVICE ONLINE

Securely manage your payroll and employee information via the web - enter and submit employee data, create reports, use timesheets, and manage benefits. With employee self service, your employees have secure online access to view and print their payroll history, as well as update personal information— saving you time and energy!

EMPLOYMENT SCREENING

Perform background checks on employees before they start to work for you.

DIRECT DEPOSIT

Save your employees a trip to the bank and increase their productivity by depositing their paychecks into their bank accounts.

TFG PLATINUM PAY VISA PAYROLL DEBIT CARDS

Your paycheck on plastic! Give to employees who do not have a checking account or who would like to have a separate spending account—good for everyone!

Company Name: _____

Contact Name: _____

Phone Number: _____

Email Address: _____

Send to—Or call us for more information!

Radcliffe Payroll Services

Suite 1—870 High Street

Chestertown MD 21620

tele: 410.778.1099 ext 2 fax: 410.778.7988 www.radcliffepayroll.net