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## **2008 YEAR-END REFERENCE GUIDE AND CHECK LIST**

### **IMPORTANT TAX INFORMATION**

**This newsletter contains important information to ensure the accuracy of your W-2's and other year-end returns. Please read it carefully and keep it handy for your reference.**

## Holiday Payroll Processing Schedule

Our office will be closing on Wednesday, December 24th at 12:00 p.m. and Thursday, December 25<sup>th</sup> for the Christmas holiday. For the New Year holiday we will be closing at 2:00 p.m. on Wednesday, December 31st and will be closed on Thursday, January 1<sup>st</sup>.

There will be no one in the office past the posted times above. If you have direct deposit for your employees and you are moving your check dates up, be sure to allow for the two days it takes to process your ACH files.

## Postal Service during the Holidays

Please remember that it is normal for the mail to be delayed during the holidays. You will need to take this into consideration when having your payroll checks mailed to your place of business. You might consider using our courier service or picking up your payroll at our office.

## Last Payroll







When we refer to the cut-off date or last payroll for 2008, we are referring to the day a payroll with a December 31, 2008 check date or prior, which is your last scheduled payroll run for the calendar year. Period start and period end dates do not affect tax liabilities and are not considered when figuring any specific liability. **Please remind your accountant to report payroll adjustments no later than January 5th. There may an additional fee if payroll adjustments are reported after the cut-off date.**

## View Choice CD's

We will be producing the View Choice CD's again this year. They will be produced the second week of January. The charge will be \$95.00. If you would like a copy for your accountant we will produce one for them at the same time at no additional charge. Please contact us before the distribution if you do not desire the CD to avoid charges.





## Clients Not Using Our Taxpay Service

If you have not already done so, please report the following to your Payroll Specialist **by your cut-off date**:

-  Any payroll checks which you issued in-house
-  Any payroll checks which you voided and reissued
-  Any tax information from a third party for disability paid to your employees
-  If you made a tax deposit for an amount other than on a deposit notice
-  If you did not make a tax deposit
-  Any additional amounts needed on Form W-2 for 2008

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-  Any additional amounts needed on Form W-2 for 2008

If you report additional payroll entries for 2008 after your cut-off date, ASAP Payroll Service will not be held responsible for penalty and interest for late payments to the appropriate agencies.

If you void payroll entries for 2008 after your cut-off date, we will prepare your returns reflecting an overpayment requesting a refund for you. **The funds will not be available for reimbursement by ASAP Payroll Services.**

If one or more of these exceptions apply, please contact your Payroll Specialist before the day of your regular payroll so that other arrangements can be made.

## **Questions about the taxability of bonus amounts are best directed to your CPA or Accountant.**

### **Reporting Taxable Adjustments**

Taxable adjustments should be reported with regular payroll whenever possible so any required taxes can be withheld. Please refer to the remainder of this newsletter for more information about specific adjustments.

### **IRS Federal Deposit Notice**

In November, the IRS mailed a deposit frequency notice for 2009 to those employers whose filing frequency has changed. If you receive one of these notices, it is very important that you send us a copy with your ASAP Payroll Services client number noted for your records. We do not automatically receive this information.

With your first 2009 payroll, we will instruct you to make deposits based on the deposit frequency we calculate using your payroll records. Your January Tax Liability Sheet will state your 2009 federal deposit frequency.

### **Personal Use of a Company Car (PUC)**

The value of the personal use of a company car is fully taxable. You report PUC on the same check with regular pay. Additional Social Security, Federal, State, and Local will be withheld out of the employee's regular check to cover the PUC.

If you need to report the value of PUC without regular wages, please contact your accountant before your cut-off date to discuss how to accomplish this.

If needed, you will find on our website, [www.asappayroll.com](http://www.asappayroll.com), on our forms page, a worksheet that will help you calculate the inclusion amount.

## Mileage and Car Expenses

The standard mileage rate in 2008 started at \$0.505 a mile and in July changed to \$0.585. The portion that exceeds this amount is fully taxable, and needs to be reported on the employees W-2 as taxable income. Please report these figures in dollars and cents, not in the number of miles. **The rate for 2009 is \$0.55 per mile.**

The accountability of auto records is very important. If you have any employees that are receiving an auto allowance, unless they are substantiating 100% of their mileage, the amounts are fully taxable. Any taxable amount for mileage and car expenses must be included on your tax returns. Please forward any unreported amounts to your payroll specialist before your cut-off date.

## Distributions from a Non-Qualified Deferred Compensation Plan or 457 Plans

Total or partial distributions from a non-qualified compensation plan or 457 plans are wages subject to federal withholding. Employers are required to report these distributions on Form W-2 in boxes 1 and 11. If you are not already reporting these distributions with your payroll, please report them before your cut-off date.

## **Educational Assistance Program**

The taxability of educational assistance reimbursements varies as follows:

Non-job-related educational assistance reimbursements, which are, provided under a qualified Section 127 plans:

Undergraduate courses that are non-job related and under the \$5,250 maximum annual exemption amount are considered exempt from withholding and employer taxes through the end of 2010. This has been extended until the EGTRRA agreement expires. EGTRRA also extended the exclusion to graduate-level courses beginning after December 31, 2001.

Job-related educational assistance reimbursements;

All job-related educational assistance reimbursements continue to be exempt from withholding and employer taxes as a working condition fringe benefit.

If you have not already reported these reimbursements with your payroll, please report them before your cut-off date.

## **Life Insurance**

Please report the value of group-term life insurance in excess of \$50,000 before your last payroll of the year. The value is based on an Internal Revenue Service published table that assigns a value for each \$1,000 of excess coverage per month based on the employee's age. If you do not know how to determine the value of the coverage, please contact your accountant. The value of group-term life insurance provided through a cafeteria plan is FICA taxable. As the employer, you are liable for the employee FICA if you decide not to withhold it.

If needed, you will find on our website, [www.asappayroll.com](http://www.asappayroll.com), on our forms page, a worksheet that will help you calculate the inclusion amount.

## Health & Accident Insurance Premiums Paid by an “S” Corporation

When an “S” Corporation pays health and accident insurance premiums for 2% shareholders/employees, the IRS specify two treatments. To determine what the tax implications are, you must know if the plan discriminates. A discriminatory plan is taxable for Social Security and Medicare. A nondiscriminatory plan is not. Both plans are subject to Federal, State and Local taxes. If you are not sure about the discriminatory nature of your plan, please contact your Plan Administrator or CPA. Please notify your Payroll specialist by your cut-off date if this affects you.

## Miscellaneous Fringe Benefits

The value of personal use of company cars, or any other taxable cash or non-cash benefit, must be included on Form W-2. Please report these benefits before your last payroll of the year. Reporting taxable benefits with cash wages allows the appropriate withholding taxes to be deducted from the employee's check. If these amounts are processed without wages, you may be required to pay the employee's portion of social security and Medicare taxes. Specific information about several types of benefits is provided below.

## Third Party Sick Pay

Definition: Sick or accident benefits paid to employees by a third party, typically an insurance company; often referred to as disability. This does not include workman's compensation.

If you have reported or plan to report Third Party Sick Pay benefits, we will include these figures on your W-2's. **Please make sure your insurance company does not issue a separate W-2 for this pay.**

By law, third party payers have until January 15 to report any benefits paid to your employees during 2008. If you receive notification of a payment after your cut-off date, **contact your Payroll Specialist immediately.**

## FICA Wage Base Changes

The following tables summarize the FICA tax rates for 2008 and 2009 Items that have been changed are indicated in bold print.




	2008	2009
Social Security Percentage	6.2%	6.2%
Social Security Wage Base	<b>\$ 102,000</b>	\$ 106,800
Maximum Withholding	<b>\$ 6,324</b>	\$ 6
Medicare Percentage	1.45%	1.45%
Medicare Wage Base/Withholding	No Limit	No Limit

## Qualified Retirement Plans Limitations

Provision	2008 Limit	2008 Catch-up Provision	2009 Limit	2009 Catch-up Provision
<b>Contribution Limits</b>				
Defined Contribution Plan	\$46,000		<b>\$49,000</b>	
Defined Benefit Plan	\$185,000		<b>\$195,000</b>	
<b>Salary Deferral Limits</b>				
401(k)	\$15,500	\$5,000	\$16,500	\$5,500
403(b)	\$15,500	\$5,000	\$16,500	\$5,500
SEP	\$15,500	\$5,000	\$16,500	\$5,500
501(c)(18)(D)	\$15,500	\$5,000	\$16,500	\$5,500
Simple Plans	\$10,500	\$2,500	\$11,500	\$2,500
457 Plans	\$15,500	\$5,000	\$16,500	\$5,500
<b>Compensation Limits</b>				
Qualified Plans	\$230,000		<b>\$245,000</b>	
SEP Mandatory Participation	\$500		<b>\$500</b>	
Limitation used in definition of HCE	\$105,000		<b>\$105,000</b>	
Key Employee in top-heavy plan	\$150,000		<b>\$150,000</b>	

## Indiana County Coding

In order to ensure we are withholding the correct county tax amounts for your employees, please have them verify the county they are being taxed in is correct. The county we have the employee in will show up on your payroll journals and the employee's check stub. In deciding what county to tax an employee for, the following rules apply:

-  An employee is taxed as a resident for the county in which he/she lives on January 1.
-  If he/she lives in a non-taxing county but works in a taxing county, he/she is taxed as a non-resident in the county where h/she works on January 1.
-  If he/she lives and works in a non-taxing county, no county tax is withheld.

**Please report any changes with your first payroll appointment in January 2009. There will be a fee to correct or change any locals after your first payroll of 2009.**

## Indiana State Withholding Due Dates

Indiana has five types of filing frequencies for depositing your state and county withholding taxes (annually, quarterly, 30<sup>th</sup>, 20<sup>th</sup>, or 20<sup>th</sup> by EFT). Please review your state-issued deposit coupon to verify the filing status the State of Indiana has assigned to you. Please report any changes to your Payroll Specialist immediately to ensure we are showing the correct due date in our system and on your tax due notifications.

## IDWD State Unemployment Rates

**Have you forwarded your state unemployment rate to us for 2009? We require this information from you. The state does not notify us. Please ask us how we can help you find this information on the internet. You can review payments and assign us as your agent.**

## **W-2/1099-Misc**

The cost for producing year-end W-2's and 1099-MISC forms will be a base charge of \$40.00 + \$4.50 per return fee. You will see these charges on your January invoice. This fee includes the insertion of your W-2's and 1099-MISC forms into our custom envelopes. Remember, there will be additional charges if your file must be sent individually to the government for missing information as stated below.

## Have You Remembered Everything?

**The cut-off date is the date you process a payroll with a January 2009 check date or December 31, 2008, whichever is earlier. This is the date by which you need to make any changes to your 2008 payroll records.**

ASAP Payroll Services will then close out your company's file to prepare tax reports and create a new file for 2009. Changes reported after this date will result in substantial processing delays and additional fees.

In an effort to avoid additional processing changes to your account, we ask that you review the following checklist and forward any missing information immediately. The following items apply to all of our clients, including those using our Taxpay Service.

If you receive a Missing/Invalid/Duplicate SSN Report with this letter, please correct and return to us **ASAP!**

Identification numbers. Please forward any missing number(s) to your Payroll Specialist no later than your last payroll run for the year 2008. Remember – the IRS charges a penalty of \$50 for each return or W-2 that has a missing or incorrect social security or taxpayer identification number.

ASAP Payroll Service will charge a filing fee of \$50.00 for federal transmissions and a \$25.00 for each state filing of the W-2's with missing or incorrect social security numbers. These files have to be sent separately from the batch filing method that we use to transmit the files.

Have you reported all payroll checks you have written or voided during 2008?

Have you contacted your bookkeeper or accountant for any additions or changes they might have?

Notify your Payroll Specialist of your new filing frequency for Federal 941 liability or State Withholding liability.

**Please verify the schedule that we have enclosed for your 2009 payroll processing. If you are in agreement with schedule, nothing needs to be done. If you have changes please note and either fax, mail or call us with the changes.**

**All of us at ASAP Payroll Services  
wish you a Happy Holiday Season  
and a Joyous and Prosperous New  
Year.**