PenSoft® NEWS

In observance of Memorial Day, PenSoft will be closed Monday, May 31st.

First Quarter Update

Reregister Your Software After Installing the First Quarter Update

PenSoft is focused on making sure our current subscription customers have the most recent version of PenSoft® Payroll installed on their computer systems. Due to the last minute decisions of Congress and many state legislative bodies, the initial release of the program did not contain the finalized version of the federal income tax withholding formula and many state withholding formulas.

> To ensure all customers are using the most up-to-date version; a second registration will be required.

PenSoft sent out an update immediately after the IRS released the updated withholding formula and reduced social security rate for tax year 2011. We have noticed many customers are still registering the initial release and we are concerned you are not withholding at the correct social security rate. The Internal Revenue Service requested all employers implement the 4.2% employee social security tax rate as soon as possible, but not later than January 31, 2011.

To ensure all customers are using the most current version of the payroll program we are requiring all customers to submit a second registration after installing the 1st quarter update. Any customers needing assistance with installing the update or correcting payroll records can contact Program Support at 757-873-1199. In addition, instructions for correcting payroll records with the old rate can be located in the Support Knowledge Database at **www.pensoft.com/support/support.aspx** and enter Document ID 821. Any corrections must be completed prior to filing your 1st quarter 2011 payroll reports.

We apologize for any inconvenience this may cause, but the Internal Revenue Service is asking all software providers to do everything possible to ensure businesses are withholding at the correct rate. Employers should make an offsetting adjustment in a subsequent pay period to correct any over withholding of social security tax as soon as possible, but not later than March 31, 2011.

Are Workers' Compensation Premiums Getting You Down?

We are proud to introduce InsurePay, through an agreement with InsureLinx, a solution to your workers' compensation premium nightmare.

PenSoft is dedicated to providing our customers with the solutions needed to compete in an increasingly competitive marketplace. Our customers have specifically requested the ability to implement workers' compensation premium payments through a payroll deduction method.

> Pay-As-You-Go Workers' Compensation Can Be Your Solution

Generally workers' compensation insurance premiums are paid in advanced based on an estimated payroll figure determined prior to the policy period. This estimate does not take into consideration changes in employee compensation or policy changes.

The integration for the InsurePay file transfer is built into PenSoft Payroll to provide seamless and secure file transfers. With a pay-as-you-go solution, premiums are calculated on real-time factors and actual payroll data. The pay-as-you-go solution eliminates making an initial estimated payment then having to make another payment at the end of the policy for the "catch-up" premium owed or worse yet finding out you overpaid. Simply submit payroll data to InsurePay through a web portal on the same schedule payroll is processed. Premiums are debited from your business bank account and remitted directly to the insurance carrier. This means a better cash flow for businesses; provides the ease of electronic billing and minimizes the time it

President's Corner

Leroy Newman
President & CEO

Allow me to begin this article with an apology. Not knowing when we would have the final 2011 tax rates we released the initial 2011 PenSoft® Payroll as scheduled on December 13th. Our elected officials in Washington caused extreme havoc throughout the payroll industry by not passing 2011 tax law until December 17th. As soon as we had the new rates we updated the software and made a subsequent shipment to all customers late December.

Unfortunately not all customers have installed the updated software with the new tax withholding rates. Any pay records processed prior to installing the update have the wrong social security withholding rate and adjustments must be made. See the front page article for additional information.

Due to all the changes to 2011 payroll tax rates and forms all customers will again register 2011 PenSoft Payroll when they install the 1st Quarter update. We apologize in advance for this inconvenience.

Final Payroll Forms

The PenSoft Payroll 1st Quarter update will also include approved 1st Quarter payroll tax forms. Please install this update as soon as it is received.

InsureLinx

We are excited to announce an agreement with InsureLinx, Inc. to offer "pay-as-you-go" workers' compensation insurance payments for our customers. Rather than estimating payroll and paying for the workers' compensation insurance policy a year in advance and then being audited at the end of the year for adjustments, this process calculates and collects premiums on actual payroll each pay period in the appropriate worker classes thus minimizing any impact of an audit after the policy year. PenSoft Payroll can now create the proper file and electronic communication to send this data to InsureLinx each pay period. See the leading article in this newsletter for more information.

Congratulations!

Tracey, Office Administrator, has completed 5 years of superb service at PenSoft. As the lead Administrator she is instrumental in Departmental improvements and employee development. Thanks for your dedication and professionalism. Congratulations Tracey.

2011 Social Security Rate

A new social security tax rate for employee contributions became effective January 1, 2011. Since PenSoft provides the new year's PenSoft® Payroll software as early as possible, many businesses received the initial version 3.11.1.00 on December 15, 2010 and then, due to the delayed Congressional action, an update on December 20, 2010 for version 3.11.1.03. If the update version was not installed prior to the first payroll processed for 2011, the employee social security tax was calculated at the original 6.2% tax rate versus the revised 4.2% rate. PenSoft has provided an instruction sheet on the knowledge database with information on how to correct these original payroll records. Visit **www.pensoft.com/support/support.aspx** and enter Document ID number 821 for more information.

PenSoft Employee Tracker

PenSoft Employee Tracker™ when combined with PenSoft Payroll is a single employee management solution containing all employee records to give you easy access to the information you need consistently and to minimize errors. Employee Tracker allows you to:

- Control costs by eliminating data entry into multiple systems.
- Reduce potential audit risks by storing, and accessing workforce information from a single database.
- Manage applicant information automatically to reduce the tedious task of manually updating information in both your payroll and employee management solutions.

PenSoft has over two decades of experience in developing payroll software.

Learn More

Interested in learning more about PenSoft Employee Tracker? Visit **www.pensoft.com/freestuff/etips.aspx** to register for our Employee Tracker E-newsletter visit or visit **www.pensoft.com/employeetracker/downloadtrial.aspx** to download a **FREE** 30-day trial.

Tips

Customizable Toolbar

A new feature in PenSoft Payroll is the customizable toolbar. Save time by easily customizing the toolbar to suit your needs. Simply click Setup on the menu and then select Toolbar to get started. The toolbar can be setup to show text (default setting), image, or both. Each company has a different toolbar setup

Direct Deposit

Direct Deposit is both economically and environmentally friendly when coupled with electronic pay statement delivery. Customers with the Professional Edition and above have the ability to create a NACHA approved file for use with direct deposit, along with the ability to e-mail plain paper summaries to employees.

Visit **www.pensoft.com/services/directdeposit.aspx** for more information or to sign up today.

Version Updates

Knowing the PenSoft version installed on your computer is helpful when you contact Program Support for troubleshooting and for determining if you have the most recent update. To locate the version installed on your computer click Help on the menu and then click About PenSoft Payroll.

PenSoft TimeOnline

PenSoft TimeOnline users enjoy the benefit of seamless conversion from timesheet data to processed payroll. Visit **www.pensoft.com/services/timeonline.aspx** for more information or to download a contract today. FREE 30-day trial available!

Open Company

When the Company button is the only option available, the company in PenSoft has been closed from the file menu. To open, click the Company button, highlight the desired company and click OK.

Q&A

Q. Why is there a "Preliminary Form Do Not File" banner displayed across some of my government reports?

A. PenSoft strives to ensure compliance with all federal and state returns in the software. Many forms in the software are not the "final version" from the government agency. The watermark notifies the customer an update is needed to file the finalized version of the form. The watermark is removed when the appropriate quarterly update has been installed.

Q. My previous software displayed employees by first name, middle initial and then last name. Can I do this in PenSoft Payroll?

A. Yes, to set this up:

- Click Company on the toolbar.
- Highlight the desired company.
- Click Modify.
- Click Settings.

- In the drop down menu for "Display Name Format" select First, M, Last.

Q. I received a letter from the IRS requesting I provide a list of exempt wages along with my Form 940. Where can I get a report in PenSoft Payroll for this?

A. To generate this report:

- Click Reports on the toolbar.
- Click Tax Reports.
- Click FUTA Reports.
- Click Exempt List. This report can be generated for any reporting period.

Q. I cannot locate the setup for employee Advanced Earned Income Credit.

A. The Advanced Earned Income Credit program ended as of December 31, 2010. Eligible recipients can still claim an Earned Income Credit on their 2011 personal income tax return at the end of the year.

Third Party Payments

Please remember we cannot accept credit card or check payments from your customer. We will only accept funds registered in the name of our customer.

takes for a year-end workers' comp audit.

Business policy holders, insurance agents, payroll processors or PEO's now have access to a pay-as-you-go billing solution through PenSoft Payroll.

- Setup employees' classification codes in PenSoft Payroll (the classification codes will have been sent to you from InsureLinx).
- Process Payroll.
- Generate the Workers' Compensation transmission file.
- Submit file directly to InsurePay via a secure login.
- File will be processed to calculate the premium and the amount will be automatically drafted from your account (ACH).

You're done! It is so simple.

Interested in learning more about the pay-as-you-go solution? Call your local agent today and ask them to contact InsureLinx. If you do not have an agent contact Mark Duncan with ISU Insurance at 310-373-6441 x234 or Cennairus Insurance at **www.cennairus.com** for assistance in getting a workers' compensation insurance quote today.

For more information visit **www.pensoft.com/services/insurepay.aspx**

State Updates

The midterm elections resulted in changes for many states. So far we have received 11 state updates since the initial 2011 release of PenSoft Payroll on December 13th. We understand during year-end it can get very hectic and you may have missed a notice of a state update. It is important to have the most current update installed.

If you process payroll in any of the following states, please makes sure you have installed the latest update to ensure you are calculating the state withholding at the current rate.

Tax & Withholding Rate Updates Posted as of February 8, 2011:

- California
- Hawaii
- Illinois
- Minnesota
- Missouri
- New Jersey
- North Dakota
- New Mexico
- Oklahoma
- Oregon
- Vermont

All these State updates were included by version 3.11.1.12. To view a complete list of changes in the updates, log on to the PenSoft Customer Resource Page, click Download Updates, and click the 2011 PenSoft Payroll Change History link.

Do you process payroll for more than one state? Call 757-873-2976 to confirm all states you process payroll for are listed in your customer record. You will receive mandatory updates only for the states listed in your record.