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## Growing Business & Payroll Implications

**I**nc. magazine reported one of the fastest ways to grow your business is to buy another company. Business owners are taking the advice to heart and in vast numbers are reorganizing, merging, or acquiring competitors in effort to intensify the growth within their companies. The growth creates challenges for the payroll department when transitioning employees under the new employer mid-year and having the systems in place to take advantage of the Internal Revenue Service's (IRS) special predecessor-successor rules.

There is considerable tax savings for organizations that qualify under Revenue Procedure 2004-53. While the IRS provides detailed instructions for predecessors-successor rule in Rev. Proc. 2004-53, ([www.irs.gov/irb/2004-34\\_IRB/ar13.html](http://www.irs.gov/irb/2004-34_IRB/ar13.html)) the instructions

do not provide guidance in how to configure the exception to the general rule in PenSoft Payroll.

A high-level explanation of the special predecessor-successor revenue rule is qualified successor employers can count the wages paid by the predecessor when determining the successor's

### Acquiring Another Company? How to Plan for Payroll Midyear

Social Security tax and Federal Unemployment Tax Act (FUTA) obligations. Simply stated the successor gets

credit for the wage base accumulated under the predecessor, resulting in a tax savings for the successor employer.

### Planning

The type of merger or acquisition will determine the appropriate employment tax compliance requirements. Preparation and scheduling adequate time to setup the "special" process is

See **Successorship**, page 4

## Cyber Criminals & Spam Filters

**H**ow often do we miss legitimate e-mails because they get trapped in the company spam filter? In information technology, this is referred to as a "false positive" and cyber criminals have found a way to profit from it.

Of the 124 billion business e-mails sent daily, over half are spam. Most businesses install spam filters to reduce the volume of spam e-mails that successfully make it into employees' inboxes, but the solution is not perfect, and cyber criminals are taking advantage of the opportunity.

The cyber criminal obtains access to the employee's e-mail, then patiently waits for the payroll department to send an e-mail. The criminal will flag the e-mail as spam so any future payroll e-mails do not get delivered to the inbox. Changing the behavior of incoming e-mail allows the cyber criminal the ability

to work undetected by employees when they submit a direct deposit change request to reroute payment to the criminal's bank account.

In the event payroll sends a notice of the change to the employee's e-mail address, it will go into spam folder. Because most employees do not review their spam folder for valid e-mails, it can

### Company Spam Filter? How Cyber Criminals Profit

take weeks before employees realize they are victims of the cyber criminal's scam.

Cyber security experts are recommending employers

inform their employees to report any suspicious changes in their receipt of e-mail coming from the payroll department. It is also a good practice to incorporate multi-level verification for changes to employees' personally identifiable information and sensitive information. Many employers have implemented e-mail and text notifications to ensure employees receive important notifications.

In observance of Labor Day, PenSoft will be closed Monday, September 4th.

In observance of Thanksgiving, PenSoft will be closed Thursday & Friday, November 23rd & 24th.



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Leroy Newman  
President & CEO

## President's Corner

Summer 2017 has come and gone. Hope you and your family had time to enjoy it. Now it's time to get back to business.

### ACA Reporting

As I write this article Congress has recessed for its summer break without passing legislation to repeal or repeal/replace the Affordable Care Act (ACA). Because of this the ACA reporting requirements continue to be the law. There is no indication of a change coming anytime soon to remove or modify these requirements.

We hear about companies who know they should report but are playing the wait and see game. Now is the time to reconsider this position and take action to become compliant. The penalties are steep for noncompliance.

PenSoft has worked with Integrity Data (ID) to create a reporting capability for our customers. PenSoft can help you with the payroll data required for the forms. ID can help you with the non-payroll data information required for ACA forms to insure you are completing them correctly to be compliant. Call PenSoft today to get started.

### Hosted PenSoft Payroll

For 2018 consider switching from your current desktop PenSoft Payroll to the PenSoft Hosted solution. It offers several benefits:

- Conversion - same capabilities as desktop edition, no learning curve and easy conversion
- Mobility - you don't have to be at your office to connect and process payroll
- Infrastructure - you don't need systems in-house to install the software
- Maintenance - we install, register and maintain the software and all tax updates for you
- Billing - monthly versus annual

### 2018 PenSoft Payroll and 2017 Forms

2018 is just around the corner. If you haven't already done so it is time to order 2018 PenSoft Payroll and 2017 W-2/1099 forms to ensure you are ready for the end of this year and 2018. Preordered 2017 forms will ship on or before November 13, 2017. Orders received after this date will be shipped as they are received. Preordered 2018 PenSoft Payroll will be available for download from our website on December 18, 2017.

### Year-End Webinars

Year end reconciliation and reporting are events only done once a year. We are offering webinars to help you refresh this information. See page 4 in this newsletter for dates and times. Seats are limited so sign up early to confirm your seat.

### Employees

Paul MacDonald, Director of Information Systems, celebrated 15 years of excellent service at PenSoft. He came to PenSoft with several years of IT experience including teaching Microsoft software applications in his previous employment. This experience and his willingness to learn new processes and systems have been instrumental to the development, implementation and expansion of our entire internal network. This includes everything from our website to internal processes. As the Department Supervisor he is also responsible for his team of Programmers and Tax Librarians. Thanks Paul for 15 years of dedicated service.

Wendy Gay and Denise Beaumont have distinguished themselves by preparing for the PenSoft Level 2 Program Consultant exam and successfully passing it. This demonstrates their dedication to excellence in helping PenSoft customers and their interest in self-improvement. Their studies in preparation for this exam added to their knowledge and capabilities in diagnosing more complex program issues. Congratulations Wendy and Denise on your promotions to Level 2.

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## Remote Client

Are you a user of Remote Client? Did you know you can track billable items processed for each company?

To view billable items per company:

- Click Reports
- Click Other Reports button
- Click System Reports
- Click Remote Billing
- Enter your customer number
- Enter password
- Click OK

The report breaks down the number of records, the rate, and the amount. In addition, any minimum activity charges will be included along with subtotals and a grand total at the bottom.

The Remote Billing report is a monthly report. It can be generated at any time during the month, but we suggest it be generated at the completion of the month to get accurate costs for the month.

### Interested in Remote Client?

Visit [www.pensoft.com/services/remoteclient.aspx](http://www.pensoft.com/services/remoteclient.aspx) for more information.

## 3 Q&A

**Q.** Our retirement plan contribution calculation is based on a percentage of adjusted gross wages (gross less cafeteria plan). Is it possible to configure the retirement plan deduction specifically to our company's plan?

**A.** Yes!, Please call Program Support at 757-873-1199 for assistance. The process requires multiple steps and requires enabling Tech Support in PenSoft Payroll.

**Q.** Employees are requesting calculations based on proposed changes to their 401(k) contributions. Is there a way to do the "scenario" calculations outside of the live payroll environment?

**A.** Yes! Create a test company using the clone function. Cloning creates a new company with many of the settings of the original company. The newly cloned company is completely independent of the company it was based on but includes incomes, compensations, leave types, taxes, and deductions from the base company.

To duplicate personnel into the test company, export personnel from the live company and import into the test company.

To clone a company:

- Highlight the desired company to clone.
- Click Clone.

- Type in the new company name. We recommend you include "test" for easy identification.
- Click Next. The file name and location will automatically populate.
- Click Next.
- Click Finish.

**Q.** Our company requires the completion of the OSHA accident investigation report in the event of an accident. Is it possible to include the accident report as part of the personnel information?

**A.** PenSoft Payroll supports data fields for completing the OSHA Form 300/300A and OSHA Form 301. OSHA investigation reports in digital format can be included as an attachment within employee setup in the Standard Edition and higher. To include as an attachment:

- Click Personnel tab.
- Highlight the desired personnel.
- Click Setup.
- Click Attachments under Miscellaneous.
- Click Add.
- Browse to the location of the file and click Open.
- Select a category in the drop down menu and complete the description.
- Click OK.

## Year-End Webinars

Join our experienced Program Consultants as they tour through fringe benefits, supplemental payments, reconciliation, and year-end reporting. We will outline the process for completing and filing W-2 forms for your employees, and look at the changes in the new year.

The webinar schedule is 2pm Eastern time on the following dates:

- November 2
- November 7
- November 16
- November 21
- November 28
- November 30
- December 5

Space is limited, and seats fill up quickly. To sign up, call 888-PENSOFT (888-736-7638). Each phone connection is \$99.00. The best value in payroll software also provides the best value in reconciliation for a complete, comprehensive payroll package!

## Don't Forget to Renew For 2018!

Renew your PenSoft Payroll for 2018 TODAY! Renew notices are enclosed with your Fall newsletter. Don't Forget! All 2018 orders will be available via download. Verify we have an accurate e-mail address on record. Prepaid 2018 are available for download on December 18th!

## 2017 Tax Forms

We offer complete tax form packages guaranteed compatible with PenSoft Payroll! Prepaid tax forms will ship on or before November 13th.

Please check your tax form package as soon as you receive it!

*Please note, there are no returns or exchanges on tax forms.*

## Successorship, continued from page 1

vital to the project's success. Keep in mind obtaining information from outside third-parties may require a longer timeline. If it is determined your organization qualifies, we can assist in setting up PenSoft Payroll to properly handle the taxes.

Program Support Consultants are not qualified to assist in making the determination if your organization qualifies for the "special" predecessor-successor rules. We recommend contacting your legal counsel, IRS, and/or the state unemployment agency.

Reduce the potential for delays and frustration by having the following tasks completed before calling Program Support.

- Consult Attorney or CPA for the determination of qualification
- State experience rates (if applicable)
- Create wage report spreadsheet listing each employee transitioning to the successor company with the following breakout of information: Social Security taxable wages, Federal Unemployment taxable wages, and State Unemployment taxable wages
- Complete onboarding the predecessor company employees

## Implementation

Integrating the data and tax wage bases in PenSoft Payroll is complex. There are multiple steps for creating special income categories and configuring taxes to the "special" wage base limits. We do not recommend tackling the project without the assistance from one of our Program Support Consultants.

Contact Program Support for the assistance with the following tasks (if applicable):

- Create user-defined income for recording year-to-date wages
- Configure the employer/employee tax deduction(s) wage base limit to support wage continuation
- Configure employees subject to Additional Medicare Tax Withholding Rate
- Determine reports and process for validating data after processing payroll under new configuration

## Validation

Reconciliation and validation of data are critical to ensuring your company is meeting compliance requirements. Taking the time to complete the validation process helps to identify errors and additional documentation needed to support the "special" calculations. Managing the employment tax of an acquisition can be labor intensive and overwhelming. The responsibility of ensuring all necessary steps have been completed and all compliance requirements have been met is a considerable task even for the most experienced professional.

- Reconcile all affected taxes
- Review employment tax reports to ensure changes are flowing to the reports correctly: Form 941/Form 941D, Form 940, W-2's, and SUTA

## Year-End Planning

Year-end planning can be a daunting task without having to factor in setting up a wage continuation payroll configuration. Advance planning will help to mitigate these issues and ensure an overall successful year-end even if it includes an acquisition. Success is possible when close attention is paid to the details of employment tax issues.

Adjustments made to the configuration of wage bases will transfer to the next year in PenSoft Payroll. After transferring, remove the check mark to use the employee wage base limits before processing the first payroll in the next year.

## No Cost Seminar

PenSoft understands merging the payroll of two companies' mid-year can be stressful. We invite you to join us Thursday, September 21st at 1pm Eastern time for an informal presentation "Mergers & Acquisitions - Configuring PenSoft Payroll to Support Wage Continuation."

**There is no charge for the 60-minute webinar but register early; seating is limited to the first 50 registered attendees.**

**Register today! <https://attendee.gotowebinar.com/register/3247159486561308161>**

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