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In observance of  
Memorial Day, PenSoft  
will be closed Monday,  
May 28th.



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## Tax Cuts & Jobs Act

The Internal Revenue Service released 2018 withholding formulas on January 11th, reflecting changes made by the new tax law. Employers are instructed to use the 2018 withholding tables as soon as possible, but not later than February 15, 2018. PenSoft released 4.18.1.05 on January 24th to provide customers sufficient time to install the update before their February 1st payrolls.

There are multiple factors to calculating withholding on income, and while the IRS has released new withholding formulas, there is more to come in the near future.

Program Support Consultants cannot provide information or recommendations on how to adjust withholding on the old Form W-4. The IRS has provided FAQ's online and we recommend employers share this information with their employees.

PenSoft is waiting for additional guidance from the IRS on the new Form W-4 and the promised updated withholding calculator. These tools will assist employees with understanding the impact of the Tax Cuts and Jobs Acts more fully and provide employees with information to determine whether they need to adjust their withholding. The tools may not provide the

necessary guidance needed for taxpayers with complex tax situations. There are factors outside the scope of withholding that could impact an employee's tax liability. Employees concerned about the new law should consult their tax specialist or accountant for tax planning services.

Customers should ensure PenSoft Payroll is running version 4.18.1.05 or higher as soon as possible. E-mail Program Support [support@pensoft.com](mailto:support@pensoft.com) or call 757-873-1199 with any questions. They will answer any questions relating to the withholding calculations, but cannot provide tax advice or guidance relating to completing the Form W-4.

In the event employees request to adjust their withholding, use the current Form W-4. Once the IRS releases the new Form W-4, employers may be required to obtain new forms from their employees. When PenSoft gets a notice from the IRS on the new Form W-4, our developers will begin working on the update immediately.

PenSoft is working closely with the IRS and will provide periodic updates when we get new information on changes in the new tax law that impact withholding.

### Waiting on IRS Guidance

### What Do Employers Need to Know?

## Affordable Care Act in 2018

2017 was a roller coaster year overall – and definitely with regards to the Affordable Care Act: would it stay or would it go? The short answer is: The ACA remained in force for 2017 and remains intact for 2018, especially as it relates to US employers.

workers compliant health coverage. Now these employers must also provide proof of that offer of coverage to the IRS with year-end forms 1095-C and 1094-C.

Now is the time to do that!  
Deadlines are:

- 1095-Cs need to be provided to employees by March 2, 2018.
- Forms 1094-C & copies of the 1095-Cs need to be filed with the IRS:
- Paper filing needs to be done by Feb 28, 2018
- Electronic filing (required for employers with more than 250 1095-Cs) must happen by April 2, 2018.

### Here's What You Need to Know

NOW is the time to focus on 2017 ACA reporting for the IRS!

The ACA employer mandate was in force for 2017: US employers with 50 or more full-time employees were required to offer these full-time



Leroy Newman  
President & CEO

## President's Corner

We hope the holiday season was enjoyable for you, your family and business. We wish you a successful and prosperous 2018. Thanks to the loyalty of our customers 2017 was a good year for PenSoft. We exceeded a 92% renewal rate. Thank you for your support. Additionally we gained traction in the ancillary services we provide, particularly our Hosted Payroll Solution and ACA reporting. We look forward to continuing to serve you.

### 2018 PenSoft Payroll

Through extensive development of our testing program the 2018 PenSoft Payroll release presented the best installation and conversion customer experience yet.

Due to legislative delays in passing the 2018 tax bill and what the final outcome would be the IRS delayed releasing the 2018 income tax withholding rates/tables. 2018 PenSoft Payroll was released on schedule even though the IRS had not released the 2018 withholding rates. As an interim solution PenSoft continued 2017 withholding rates pending IRS 2018 release.

2018 withholding rates and instructions released by IRS mid-January were to be effective not later than payrolls dated February 15th. The new tax withholding rates were programmed in PenSoft Payroll and released to our customers to be effective with pay dates of February 1st and later.

Additional information about payroll tax changes, such as fringe benefits no longer considered a pretax deduction, will follow from the IRS. As we are made aware of any such changes we will forward the information and if changes are required to PenSoft Payroll we will update it and notify you of its release.

### Electronic Payments Using Checks

Many customers have asked for the ability to pay for PenSoft products using business checks. We worked diligently to establish this capability in a secure environment and are happy to announce PenSoft now accepts business checks electronically for purchase of software, W-2s and checks on our website, via telephone, or fax. You may use this capability as an alternative to credit cards or to expedite orders normally paid by check sent through U.S. Mail. You will have immediate capability to download your product since you won't have to wait for the mail to be delivered and data input into our system.

Checks can only be accepted from our direct customers with a PenSoft customer number. Second party checks cannot be accepted. We will treat check payments in the same secure environment as we currently do credit cards. Please secure your check information to avoid unauthorized use.

### Employees

Sue Dwyer, Tax Librarian and Technical Writer, retired after more than 14 years at PenSoft. Sue came to PenSoft with experience in customer service and software testing. She was originally hired as a Program Consultant. As PenSoft grew a position was added to take advantage of her extensive software testing and writing expertise. She was instrumental in developing and improving the formal test plan PenSoft uses prior to releasing program updates. Congratulations Sue and best wishes in your retirement.

Looking for mobile cloud convenience? Want to enjoy all the features of PenSoft Payroll while on the go? Check out PenSoft Payroll Hosted Solution. Call us at 888-PENSOFT (888-736-7638) for more information!

[www.pensoft.com/hostedpayroll/benefits.aspx](http://www.pensoft.com/hostedpayroll/benefits.aspx)

## WPA2 Vulnerability Follow-up

It's been several months since a wi-fi security protocol vulnerability – called KRACK (Key Reinstallation Attacks) - was disclosed. At the time, I wrote a short article describing the WPA2 (Wi-Fi Protected Access 2) exploit, and set the expectation that manufacturers would release software updates to address the problem shortly. How's that going?

ZDNet.com has an article ([www.zdnet.com/article/here-is-every-patch-for-krack-wi-fi-attack-available-right-now/](http://www.zdnet.com/article/here-is-every-patch-for-krack-wi-fi-attack-available-right-now/)) that describes how some of the larger players in the networking business are getting a handle on things. Hopefully, you've been checking with your router manufacturer's web site, looking for a firmware update for your router. You also may be having mixed results actually finding one. Some devices are too old or not cost effective for manufacturers to update.

Update if you can, but if you're having trouble finding a firmware update for your router, you may be among the many who simply have to buy new. WP3 – the next generation of Wi-Fi Protected Access - should be available in commercial products sometime this year, and - unless you're having a wi-fi emergency - I recommend you wait until you can purchase a wi-fi router with WPA3 to make a purchase at all. Whatever your options are, don't let this slip off your radar!

## Q&A

**Q.** We under-withheld for FICA taxes on an employee's payroll. When we called support for assistance in correcting the error through transferring the shortage from the federal income tax withholding to the FICA withholding, the representative strongly discouraged us from proceeding with this approach to correcting the error. Why?

**A.** In the event of an IRS audit, if the IRS identifies the transfer of the employee's money between federal income tax and FICA withholding, it could result in undesired consequences for the employer. The employer could be held liable for not properly withholding FICA and FITW, and ultimately be liable for FICA and FITW shortages, penalties and interest under the Internal Revenue Code. For assistance in correcting under withholding, call Program Support at 757-873-1199.

**Q.** We terminated an employee mid-February. The employee is asking we provide their 2018 Employment Wage and Tax Statement. We have 30-days to from the request to comply but when we print a W-2 form it has a preliminary watermark. How do we print the 2018 W-2 without the watermark?

**A.** The preliminary water mark is to protect users from generating wage statements prior to the Social Security Administration approval and the final release of the substitute form schema which generally is released by the fourth quarter of the year. Contact Program Support at 757-873-1199 for assistance in options in generating a W-2 form prior to the fourth quarter update.

**Q.** We have an employee who terminated with a negative vacation balance, how can I record the collection of wages on their last paycheck to ensure clear documentation of the event?

**A.** Consult with an accountant or attorney before collecting the "advance" leave. There are state statutes that expressly prohibit the deduction of overpayments from future wages. In the event you are able to collect the advance leave, create a user-defined deduction to collect the monetary value and process with the final payroll.

To create a user-defined deduction for advanced vacation leave:

- Click Personnel
- Highlight the desired employee
- Click Setup
- Click Deductions
- Click Add
- Click Create New
- Enter in title: Advanced Vacation Leave and enter abbreviation
- In the calculation drop down select Variable Amount
- Click OK to save

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## PenSoft Now Offers Online ACH Payments

PenSoft customers can now pay for products using Automatic Clearing House (ACH) payment services. The service provides our customers the ability to authorize PenSoft to debit directly from the customer's checking or savings account for the purpose of payment.

### Benefits of Using ACH

A major benefit of ACH payments is security. ACH payments are encrypted and entered into a secure online system. There are reduced risks with the physical check staying in your control and there is no chance for your check to be lost or stolen.

Convenience – With ACH there is instant processing of payment.

- Internet access provides 24/7 payment option
- No more writing a check, finding a stamp, and getting it into the mail
- No delay in access to download software or the shipment of forms/checks

Most banks offer tools to combat ACH debit fraud to their business customers. Examples include ACH Debit Block, Debit Filters and ACH Positive Pay. If you use any of these security tools, be sure to notify your financial institution before submitting an ACH payment to PenSoft.

Any questions regarding ACH debit payments, call Sales/Administration at 1-888-736-7638.

Also good to know: Good Faith transition relief has been extended to 2017 reporting. This means that employers who work in good faith to complete the forms will not be assessed penalties due to missing or inaccurate information. This relief does not apply if the employer failed to furnish forms or timely file, only for missing or inaccurate information reported on the ACA forms.

So good news for employers. However, don't let that detract from making sure your reporting is done accurately and timely – Integrity Data's ACA Compliance Solution can help – contact us today.

ACA Employer Mandate stands: continue tracking throughout 2018.

Employer Obligations remain unchanged:

- All US employers with 50 or more full-time employees must continue to offer their full-time workers ACA-compliant health coverage.
- These employers must continue to provide proof of coverage to the IRS with year-end forms 1095-C and 1094-C.

And enforcement has started: a significant number of employers have received letter 226J aka “a penalty letter” from the IRS – here's some advice on what to do if you get one of those: [www.integrity-data.com/aca-employer-compliance-enforcement-letter-226j/](http://www.integrity-data.com/aca-employer-compliance-enforcement-letter-226j/)

The Individual Mandate also stands for 2018!

The Tax Cuts and Jobs Act (aka the new tax law) touted repealing the health law but it only repealed the requirement that individuals are required to have ACA-compliant health coverage or else pay a penalty in the sense that the penalties are reduced to zero. However, be aware that this repeal only goes into effect in 2019!

For employers this could mean:

- Premiums in the individual market could rise, pushing employees to take a new look at employer coverage.
- Employees who elected employer coverage may feel they no longer need to maintain it – if these are young, healthy employees this may have an adverse impact on employer's health plan costs.

## What Has Changed?

As part of the recent deal to reopen government, two important ACA changes were made that affect employers:

- Cadillac tax has been delayed for 2 more years until 2022. This unpopular tax on high cost health coverage (40% tax on the value of coverage over specified thresholds) had already been pushed out – and now it is being pushed out again. Take a breather but start thinking about cost containment strategies to avoid this tax when it does go into effect.
- Health Insurer tax has been suspended for 2019. This health insurance “provider fee” is tax levied on the health insurers based on the premiums they collect – this cost would most likely be passed on to consumers. It was suspended for 2017, came back for 2018 and is now suspended again for 2019 – good news for employers that purchase insurance coverage since it will most likely mitigate insurance premium increases for 2019 renewals.

## What's Next?

Plan on ACA reporting for 2017, 2018 and beyond.

Reporting for 2017 is certainly required and given the IRS's clear intention to enforce the mandate, expect reporting to continue into 2018 and possibly beyond. Make sure you have the systems and processes in place to do so accurately and efficiently – Integrity Data's ACA solution can help.

Keep an eye on developments in 2018.

There may be at least a softening of the employer mandate – for example, making the reporting easier for employers by simplifying it. This won't happen quickly but it is definitely worth keeping an eye on.

We will keep you posted – follow our blog: [www.integrity-data.com/blog/](http://www.integrity-data.com/blog/)

*Article courtesy of Tom Franz, CPP, CHRS with Integrity Data*

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