

VOLUME 28 • ISSUE 1  
Spring 2019

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In observance of  
Memorial Day, PenSoft  
will be closed Monday,  
May 27th.



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## Understanding a Common Paymaster

Conglomerate businesses typically are comprised of multiple entities, each with its payroll and employees moving between these various entities, resulting in the potential of the over-collection of payroll taxes. One method to avoid the overpayment and withholding of certain employment taxes is through a common paymaster.

A common paymaster is a member of a group of related corporations that disburses compensation to employees of two or more corporations on their behalf and is responsible for keeping books and records for the payroll for those employees.

If a corporation meets one of the following four tests, they are considered to be related corporations for the common paymaster rule.

- The corporations are members of a “controlled group of corporations” as defined in IRC Section 1563 or Treas. Reg. 31.3121(s)-1(b)(1)(i). (based on stock ownership).
- In the case of a corporation that does not issue stock, either 50% or more of the

members of one corporation’s board of directors (or other governing bodies) are members of the other corporations’ board of directors (or other governing body) OR the holders of 50% or more of the voting power to select such members are concurrently the holders of more than 50% of that power with respect to the other corporation.

- At least 50% of the officers of one corporation are concurrently officers of the other corporation.
- At least 30% of the employees of one corporation are concurrently employed by the other corporation(s).

### What is a Common Paymaster? Why Use One?

The benefit of a “common paymaster” is the ability to take advantage of IRS

provisions enabling related corporations to be treated as a single employer for purposes of the FICA and FUTA wage bases if the common paymaster (1) employs the same employees concurrently with one or more related corporations, and (2) disburses compensation on behalf of itself and the other related corporation(s) that concurrently employ the employees.

*See Paymaster, page 4*

## How Hosted Solutions Can Save Businesses Money

The advancement and innovation with cloud technology makes it possible for small to mid-sized businesses to thrive in today’s competitive market. As a business owner you should have access to the same time and cost saving solutions as the “big businesses”.

PenSoft is dedicated to helping small to mid-sized business owners process payroll efficiently and correctly with access to live U.S. based support from highly qualified program consultants. PenSoft Payroll Hosted Solution can help to:

- Modernize your payroll process.

- Provide access to your payroll 24/7 anywhere you have an internet connection. Use your newly found freedom to grow your business.
- Control authorized users. Setup your accountant as an authorized user to provide them instant access to time sensitive information.
  - Automated maintenance updates provide assurance you have the most current release without the IT headache.
- Secure sensitive data with multi-factor authentication.
- Provide data redundancy with automated regular backups.

Go to [www.pensoft.com/hostedpayroll/features](http://www.pensoft.com/hostedpayroll/features) to determine the best service level for your company.

### Show Me The Money



Leroy Newman  
President & CEO

## President's Corner

We hope you had a good Holiday Season and your business is off to a good start for 2019.

Thank you for allowing PenSoft to serve your payroll needs and for helping to make 2018 another successful year. We had one of the highest renewal rates of our 29 years in business at 92.6%. Without your support this would not be possible. Our software conversion from 2018 to 2019 was also one of the smoothest we have had. We are now in our 30th year developing, producing, distributing and supporting PenSoft® Payroll and are excited for what the future holds. We look forward to continuing to serve you and your payroll needs.

### Going Digital

Reducing our carbon footprint is important to everyone here at PenSoft. We successfully converted PenSoft Payroll to 100% digital distribution in 2018. We are thankful for the positive response and support to this change. Additionally PenSoft Payroll Hosted Solution, allowing access to PenSoft Payroll from any location with internet access, is gaining traction.

We are launching our quarterly newsletters in digital format in the vein of “going green” beginning with this issue. In addition to reducing paper requirements it allows us to be more creative in the newsletter content. We hope you enjoy this new format. Please be sure to white list PenSoft to ensure receipt of each newsletter.

### Payroll Changes

The “Tax Cut and Jobs Act” (TCJA) has impacted every division within a company, especially payroll departments. PenSoft’s Government Relations Task Force is keeping a close eye on individual States as they decide how to cope with the impact of the TCJA on their revenues. PenSoft clients can keep up-to-date on this and many other issues impacting payroll through our website, blog, and newsletters.

### Congratulations

Stephanie Salavejus, PenSoft Vice President and COO, completed two consecutive three-year terms serving first on the Electronic Tax Administration Advisory Committee (ETAAC) and then the Internal Revenue Service Advisory Council (IRSAC). During this time she worked closely with the IRS and

was instrumental in recommending and supporting a number of IRS initiatives including:

- Initiation of online taxpayer accounts through electronic authentication.
- Improved website providing relevant and accurate information in a user-friendly format.
- Meeting with Congressional Committee Staffers lobbying for additional funding to combat tax identity theft and providing adequate levels of taxpayer service resulting in an additional \$290 million for customer service and to combat identity fraud.
- Recommendation of a Digital Authorization Method to process Form 2848, Power of Attorney and Declaration of Representative.
- Recommending a robust eA3, electronic authentication, authorization and access framework to safeguard taxpayer information while supporting a third-party strategy to provide better, faster service and improve user experience for the tax professional community.

Stephanie was presented a Certificate of Recognition for her contribution to IRSAC by the Commissioner of Revenue, Chuck Rettig.

Thanks Stephanie for a job well done representing taxpayers and tax professionals.

## Reconciliation Webinar

Back by popular demand, PenSoft Payroll Reconciliation!

Building an effective and thorough reconciliation process to catch payroll errors takes time. It is the payroll professional’s responsibility to have effective payroll reconciliation and reporting processes in place to verify and ensure employees are paid timely and accurately to avoid costly penalties for employers.

Our reconciliation webinar covers the steps and procedures required to reconcile tax liability, payroll expense, and payroll liability accounts. Each 75 minute live webinar is streamed to registered users at a specific time using GoToWebinar. During the live webinar the

user can ask questions and chat with the presenters through the application.

Objectives:

- Common mistakes
- Correcting payroll errors
- Recording tax deposits
- Per pay date reconciliation
- Preparing quarterly payroll tax returns

The webinar is available in multiple formats! Select the format that best fits your schedule. Webinar cost is \$99 per phone line.

## Q&A

**Q.** All employees must clock-in and out regardless of their employment status or compensation method. How do I record our exempt salaried employees' hours in PenSoft Payroll and keep the annual salary amount as the primary method of payment?

**A.** To create a user-defined income category to track hours:

- Click Company
- Click Setup
- Click Payroll Incomes
- Click Add
- Create Income - Exempt Employee Hours
- Abbreviation
- In the calculation drop down select Variable Amount
- Enter the hours worked when processing the payroll

**Q.** We process dividend payments in-house using PenSoft Payroll. The IRS sent a letter informing us we had to deduct backup withholding at 24% on all future payments. How do we do this?

**A.** To setup backup withholding:

- Click Personnel
- Click 1099-DIV
- Highlight the desired recipient
- Click Setup
- Click Taxes
- Click Add

- Highlight Federal Backup Withholding
- Click OK
- Click Close until you have exited out of the recipient setup

The next time 1099 recipient dividends are processed, the backup withholding will be calculated and held.

**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

## Backing Up Data Using PenSoft Payroll Hosted Solution

Users of PenSoft Payroll Hosted Solution will often declare it is a lifesaver with the ability to use the software anywhere with an internet connection and at any time of day.

Many of the headaches associated with software usage have been removed with the introduction of PenSoft Payroll Hosted Solutions. Updates are automatically displayed, data is secure, and regular backups are completed for you.

Often you hear IT departments suggest to make and keep offsite backups. As a PenSoft Payroll Hosted Solution customer, you may want to backup your company data on your own servers for security purposes.

To backup a copy of PenSoft Payroll on your own servers or location:

- Open PenSoft Payroll Hosted Solution
- Click Utilities
- Click Backup
- Highlight the desired company(ies) you wish to backup
- Click Next
- Click Browse button
- Select a Hosted Computer
- Select a folder located under the hosted computer directory (the location should begin with \\tsclient\)
- Click OK
- Click Finish
- Wait for the Data Backup Log to generate the list of companies and result of the backup.
- Click Print to keep an audit of backups
- Click Close

## Tech Tip

### Two Factor Authentication & Payroll Summaries

Are you using two factor authentication on your mail servers? Do you e-mail your payroll summaries from within PenSoft Payroll? Are you having issues accomplishing this?

The process to accomplish this combination can be onerous burden, but it can be done with the use of third-party resource and services. Google has developed tools to alleviate this.

To achieve the two-factor authentication setup an App Password or buy a Google Security Key to be used in PenSoft Payroll. Share these links with your IT team:

To setup an App Password: <https://support.google.com/accounts/answer/185833?hl=en>

To buy a Google Security Key: <https://support.google.com/accounts/answer/6103523?hl=en>

PenSoft's customers have expressed wanting to control the process for their organizations two-factor authentication. You know your business best and have a vested interest in implementing the best solution for your organization.

### Paymaster, continued from page 1

For the wages to be broken out by each location and to treat the corporations as a single entity, PenSoft users will need to have at minimum the Professional Edition and set up the employees to be paid by job code.

Once the system is set up to pay by job codes and payroll is processed, job code reports will provide a detailed breakdown of the wages and deductions for each location. The user-defined supplemental report provides users with the ability to create a combined report listing each location or break out the data by single job codes. There is also the ability to drill down to the employee level when creating the supplemental job costing reports.

Learn more about setting up job costing reports by contacting Program Support to discuss the data items unique for your reporting requirements and how the information flows to the Form 941 Employers Federal Tax Return and the Form 940 Employer's Annual Federal Unemployment Tax Return for a common paymaster.

### PenSoft Payroll Training

PenSoft encourages customers to take advantage of the one-on-one virtual training to ensure accurate setup of PenSoft Payroll. PenSoft Payroll virtual training allows you to work privately and freely with a dedicated instructor online. The cost is \$99 per hour. Visit [www.pensoft.com/training/payrolltraining\\_virtual](http://www.pensoft.com/training/payrolltraining_virtual) to learn more and submit a request for one of our skilled trainers to contact you. They will answer all your questions and help design your custom training program.

Call Program Support at 757-873-1199 or e-mail [support@pensoft.com](mailto:support@pensoft.com) with any questions regarding common paymaster setup or virtual training. They are available Monday-Thursday 9am-6pm and Friday 9am-5pm Eastern Time.

### Webinar, continued from page 1

### Webinar Options

- Live webinars are available March 19 and March 21 at 2pm eastern time.
- On-Demand Webinars are available between March 24-30th.
- Individual training with our Training Coordinator working with your company's data! Get all your questions answered about your quarterly reconciliation process in the privacy and convenience of your office. \$99 for 75 personalized minutes!

**HURRY!** Seats fill up quickly, so call Sales at 888-PENSOFT (888-736-7638).

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