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In observance of
Christmas, PenSoft
will be closed
December 24-25.
In observance of the
New Year, PenSoft
will be closed
January 1, 2019.



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2020 New Form W-4

The IRS is re-designing Form W-4, Employee's Withholding Allowance Certificate. Effective 1/1/2020 the changes to this form will have a significant impact on every payroll and human resource department.

Here are a few key points about the new IRS "Form W-4 - Employee's Withholding Certificate" and how it relates to federal income tax withholding for employees.

- Existing employees with a current Form W-4 on file are NOT required to complete a new 2020 W-4 Withholding Certificate unless there is a life event requiring them to update their W-4. ALL employees hired after 1/1/2020 are required to complete the 2020 Form W-4.
- The redesigned 2020 Form W-4 no longer uses allowances/exemptions for calculating withholding. The New W-4 Withholding Certificate has areas to include additional

income, deductions, and tax credits for calculating the federal withholding amount. The directions address various tax scenarios such as dependents, single job, married filing jointly, Head of Household, or multiple jobs. The IRS "Tax Withholding Estimator" App located at <https://apps.irs.gov/app/tax-withholding-estimator> will assist employees in determining the correct amount of withholding for their situation. The IRS FAQ's will help answer questions as employees work through

the "Tax Withholding Estimator" and W-4 Withholding Certificate.

- The IRS scheduled release of the new Form W-4 is late 2019. The IRS anticipates the final form to have few changes from the draft located at www.irs.gov/pub/irs-dft/fw4--dft.pdf on the IRS.Gov website.

2020 Form W-4 Five Key Points to Know

See **Form W-4**, page 4

ACA Noncompliance

It is a nightmare that keeps business owners up at night, sorting through the mail to find a letter from the Internal Revenue Service (IRS).

Under the Affordable Care Act's (ACA) employer shared responsibility provisions, applicable large employers

(ALEs) must either offer minimum essential coverage that is "affordable" and that provides "minimum value" to their full-time employees and dependents, or potentially make an employer shared responsibility payment (ESRP) to the IRS.

The IRS's increasing efforts of enforcement are evident by the CP 226J (Preliminary Calculation of the Employer Shared Responsibility Payment) notices sent to ALE's

identified as having failed to provide health coverage under the ACA ESRP.

The CP 226J (www.irs.gov/pub/notices/ltr226j.pdf) is the IRS' first step in their arsenal of tools for notifying ALE's of their liability related to

ESRP. *The notice provides thirty days from the date of the letter to respond to the IRS.*

The IRS has broad authority and failing to respond promptly will result in a second notice CP 220J (Notice and Demand of Payment) for the ESRP. IRS calculates the payment amount based on the information they have available. It is critically important to understand the second notice is a demand for payment, subject to IRS lien and levy enforcement actions. Interest will accrue from the date of the Notice and Demand

See **ACA**, page 4

ACA Reporting Avoid the IRS Notice CP 226J



Leroy Newman
President & CEO

President's Corner

Happy Holidays to you and your families. It's hard to believe 2019 is nearly over. This means it is time for businesses to prepare for 2019 year-end and for 2020. Check out the webinars PenSoft is offering between now and the end of this year to help with this process, and if you haven't already done so be sure to order your 2020 PenSoft Payroll and 2019 tax forms.

2020 Software Release

One of the most important measures and validation of PenSoft's success is renewals. Our team has been diligently preparing 2020 PenSoft Payroll for its scheduled release on December 16, 2019. Many 2020 payroll tax rates and cutoffs are already implemented, but as always this time of the year we await some from the IRS and States. Any 2020 tax updates not received by our release date will be made available subsequently as soon as received.

You may download, install and register the 2020 product when it is released even before completing your last 2019 payroll and end of 2019 reports. If you have any difficulty downloading or installing call Program Support (757) 873-1199. If you are a PenSoft Hosted Solution customer, PenSoft will automatically install and register your software so it will be ready for your first payroll of 2020.

Virginia Statewide Payroll & APA Education Institute Payroll Conference

In 2019 our team of payroll professionals focused on educational conferences centered on the goal of education and gaining an understanding of payroll for all industries.

PenSoft has been a sponsor of the Annual Virginia Statewide Payroll Conference for the past 15 years. This year's conference was held in Roanoke, Virginia October 9-11. Stephanie Salavejus, CPP, Vice President and COO, Wendy Gay, CPP, Lead Program Consultant, and Jasmine Jones, CPP, Payroll Specialist attended the conference education sessions. Stephanie shared her knowledge and experience as a presenter on the topic Disaster Recovery.

The APA Education Institute Payroll Conference was held on October 28th-29th. Stephanie Salavejus, was invited to present on two very important topics, Payroll Fraud and Authentication and the Impact on Payroll.

Welcome RollMaster customers

We welcome RollMaster Software customers to the PenSoft family for 2020 and look forward to serving their payroll needs. See the article in this newsletter with a quote from Dev O'Reilly, Founder, President and CEO of RollMaster Software.

North American Bancard

PenSoft has teamed with North American Bancard (NAB), the largest private payment processor in the U.S. to offer merchant services and equipment to our customers. Note the offer in this newsletter of a free analysis of your current merchant services costs to determine possible savings.

Welcome RollMaster Customers

We are happy to welcome RollMaster Software customers to the PenSoft family. We appreciate the trust placed in us and look forward to serving their customers' payroll needs. Effective at the end of 2019 RollMaster Software will no longer produce payroll as part of their software and have selected PenSoft Payroll as the recommended product for their customers. Following is a quote from Dev O'Reilly, Founder, President and CEO, RollMaster Software:

"We were faced with a tough decision to discontinue our Payroll Module, but the enormity of the Federal Tax Table changes coming for 2020 and the ongoing complexity of payroll tax reporting, especially for multiple states, forced our hand. As we evaluated our in-house payroll system, we discovered that the development, modernization, and updating needed was extensive. The new tax laws, the constantly changing Federal, State, local tax calculations and complex reporting issues made clear our deficiencies. It was obvious that "reinventing the wheel" was illogical since true specialists were available as integration partners.

For these reasons, we selected PenSoft Payroll Processing Software as our newest and best fit integration partner. PenSoft is packed with advanced features, in addition to being experts in dealing with payroll complexities, which our flooring dealers will need as regulations and laws continue to change. We want our dealers to grow and succeed, so identifying and partnering with best-of-breed specialists who add efficiencies to the RollMaster solution allows us to continue streamlining industry specific workflow processes. Our integration partners enable RollMaster to focus on high-priority flooring functionality and spend less time on tasks best addressed by specialists. I would also add that each of our dealers are important to us and we will work with them in every way possible to make these type of solutions productive, efficient, and profitable."

Are Hidden Credit Card Processing Fees Affecting Your Profit?

Credit card processing statements can be like reading a foreign language. There are numerous line items on a typical statement, reflecting the fees of the card issuers (the provider of the card your clients/customers use at your business), the card networks (such as Visa and MasterCard), your processor, and possibly others. The card brands raise their rates twice annually; once in the spring and once in the fall. While these are non-negotiable, there are other line items that you can control; from charges for non-compliance of your PCI responsibility, to transaction fees. If you would like a review of your payment processors statement to help identify where fees may be reduced and possibly even eliminated, we have entrusted North American Bancard to provide a no-charge comprehensive examination. There is most likely room somewhere in there to off-set your 2020 payroll software services. To reach North American Bancard, please visit northamericanbancard.com/isvmerchant.

Wishing you a fun-filled holiday season and best wishes for a happy New Year!

PenSoft

Year-End Bonuses

It is that time of year when employers begin to plan for performance and year-end bonuses. Organizations utilize the particular payment as an opportunity to show their appreciation for the hard work of employees.

When paying out bonuses timing is everything, especially when it relates to the taxability for the employee and the employer's liability for employment tax deposits and reporting of compensation paid. Employers need to fully understand the doctrine of constructive receipt or they may find themselves in hot water with the Internal Revenue Service (IRS).

Under the principle of constructive receipt, an employee is paid when the wages are made available to the employee without "substantial limitation or restriction." A simple definition being, the wages can be drawn on or controlled by the employee.

In most instances all goes as planned, but what happens when an employer releases a 2020 postdated check as a convenience because the employee is leaving town and the employee immediately deposits the check in the 2019 tax year?

Postdating a check does not qualify as a limitation or restriction under the constructive receipt doctrine. Also financial institutions can process a check without regard to the date of the check. Become familiar with the terms and conditions of the financial institution, most are resolved of any liability in the event of processing the payment outside of the check date.

Taking the example above, when the employee deposited the check, the wages became subject to depositing, and reporting requirements due to constructive receipt. The consequences for the employee are the wages should be reported as taxable income on their 2019 Form W-2.

In turn, the employer is liable for the timely deposit of the taxes and the reporting of taxable wages on any reports for employment tax filing purposes. In addition to the headache of having to go into 2019 PenSoft Payroll to process the payment and delete the record in the 2020 PenSoft Payroll, the IRS most likely will assess penalties and interest for the failure of timely deposit and reporting.

Another instance is where an employer issues a bonus payment but the employee refuses receipt, asking if they can "just wait and issue in the next tax year." Since the employee had the right to receive the income it is reportable in 2019.

So what happens if the employer agrees to delay the payment until the next tax year? Even though on face value it appears to be clear cut income earned in the 2020 tax year, it is possible for the IRS to have a different interpretation based on the facts in evidence.

While it is possible to negotiate a deferred payment that avoids the constructive receipt rules, it is advisable to obtain tax guidance regarding this type of negotiation to avoid negative consequences for both the employer and employee.

It is a good business practice not to take chances when reporting income to the IRS because it could also lead to severe penalties and consequences. Ultimately, the employer is the responsible party for ensuring they are compliant with all federal, state and local payday requirements.

Learn the ins and outs of constructive receipt by downloading IRS Publication 538 from www.irs.gov/pub/irs-pdf/p538.pdf

Improve Productivity with Doculivery

As a PenSoft customer you have the option to add Doculivery for online pay statements and year-end tax forms to your arsenal of products. This service not only benefits your bottom line but also the environment.

An online employee self-service solution can help your company:

- Save time - by electronically delivering pay summaries and year-end tax forms.
- Save money - by reducing the cost of reprinting lost pay summaries and year-end tax forms.
- Save space - by reducing document storage. Employees have the ability to access past statements online for 7 years.
- Save the environment – by printing only when needed.
- Improve internal customer service - by eliminating the standard response time for employees needing to obtain copies of their pay summaries or Form W-2s.
- Improve security and privacy – by having employees log-in to a secure site to access their sensitive documents you reduce the potential for identity theft.
- Improve employee productivity – by allowing employees to have access 24/7 they no longer have to take time out of their work day to go to payroll for these documents.
- Improve document backup and compliance practices - by storing the documents off-site in addition to having quick access to documents for federal and state agency audits.

With Doculivery employee self-service your payroll staff can go back to focusing on their primary tasks instead of having to deliver pay statements each pay period and distributing or mailing employee Form W-2s at year-end. Doculivery will also provide protection for your records from physical damage and can become part of your company's disaster and recovery plan. Employees are simply directed to log-in to the secure site to access their forms. This service saves time for employees and dramatically reduces time the payroll staff will spend answering common questions and locating documents.

Visit www.pensoft.com/services/onlinedocuments.aspx to learn more about how Doculivery can improve efficiency for your company and employees.

Form W-4, continued from page 1

- PenSoft's ability to include the new Form W-4 in the 2020 PenSoft Payroll is dependent on when the IRS releases the final Form W-4 and updated Publication 15-T based on the Federal Inflation Index Withholding Adjustment.
- The IRS strongly encourages employers educate employees on the importance to perform a withholding checkup using the Tax Withholding Estimator App now to determine if they should submit a new Form W-4 at the beginning of 2020.

Most HR and Payroll professionals are careful to not provide tax advice to employees, but the IRS has developed resource tools useful for employers to communicate income tax withholding changes to employees. These resources include Publication 5330, "Reminder from the IRS and the American Payroll Association," and Publication 5303, "Paycheck Checkup Can Prevent a Tax-Time Surprise." These publications direct employees to the withholding estimator and more detailed income tax guidance.

ACA, continued from page 1

and continue until the full payment of the ESRP.

Keep in mind that it is essential for ALEs to remain in compliance and to have a solution in place to do so. Did the IRS send a notice? Well do not worry because PenSoft can provide an ally ready to assist. Integrity Data, a PenSoft partner provides a solution to protect against these penalties.

Integrity Data are the ACA experts who will handle all the ACA compliance reporting requirements including year-long penalty risk management with eligibility and affordability tracking.

The solution helps companies avoid the stiff penalties the IRS imposes for lack of compliance. Also, it simplifies compliance to eliminate the cost of hiring internal personnel to do what Integrity Data system seamlessly handles.

With Integrity Data as your ACA software partner, you will be equipped with the software tools, support and expertise you need to stay ACA compliant with the IRS.

Contact us today if you need guidance on becoming compliant with the ACA.

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