PenSoft® NEWS

INSIDE…

In observance of Thanksgiving, PenSoft will be closed November 26-27.

Form 1099-NEC

New Process for Reporting Payments to Independent Contractors

Form 1099-MISC, Miscellaneous Income is used to report various non-employee payments such as Payments to Attorneys, Royalty Payments, Golden Parachute, and Nonemployee Compensation until the Protecting Americans from Tax Hikes (PATH) Act of 2015 created reporting challenges.

The Protecting Americans from Tax Hikes (PATH) Act, accelerated the due date for filing for Forms 1099-MISC, Non-Employee Compensation to January 31. The change created confusion because not all the compensation types on the 1099-MISC form were due on January 31. The change required employers to separate the non-employee compensation (NEC) form payments from the other payment types. The multiple filing dates for the same form resulted in a higher number of late filing errors.

The Internal Revenue Service (IRS) reinstated Form 1099-NEC to reduce the burden and eliminate confusion regarding due dates for reporting NEC payments made after December 31, 2019. Form 1099-NEC has a filing due date of on or before January 31 for both paper and electronic filing.

Know When to Use the 1099-NEC

Form 1099-NEC reports payments made in the course of a trade or business for services performed by a company or individual who is not an employee.

New Process for Payments to Independent Contractors

File Form 1099-NEC for any person in the course of your business to whom you have paid at least $600 in the following during the year:

- Services performed by someone who is not an employee (including parts and materials)
- Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish
- Payments to an attorney

Virtual Private Networks

While most of us are focused on "flattening the curve" for COVID-19, Information Technology professionals have been working non-stop to "flatten the curve" of cyber security attacks.

Security professionals report a triple-digit increase in attacks specifically focused on VPN gateways since COVID-19. Businesses have pivoted to a remote work model where possible to keep operating business as usual. PenSoft transitioned to work-from-home at the end of March. With the concerns for a spike in COVID cases this fall, we anticipate our work-from-home model will stay in place for the near future.

Be Secure While Remotely Working

October is cyber security awareness month, and PenSoft wants to remind our clients to take precautions. As PenSoft clients transition to working remotely during COVID-19, there has been a significant increase in customers expressing concerns about cyber security attacks.

Our security team recommends securing remote locations by using a virtual private network (VPN) to protect against unauthorized access.

A VPN is a point-to-point connection over your exiting secure network; with authentication and login process, it is ideal for protecting and securing an internet connection. The use of a VPN connection reduces the risk of cyber

President's Corner

Leroy Newman
President & CEO

As Virginia moves toward the coronavirus phase three, PenSoft is not letting our guard down. Work is in full swing programming the most recent tax changes and developing our next generation products. Our project teams are busier than before, and we continue to meet delivery milestones.

Your feedback and appreciation emails continue to encourage us as we enter the third quarter of this calendar year.

APA Congress

The American Payroll Association (APA) held its first online Congress Xstream: An Online Conference and Expo the week of June 2-5, 2020. Two Certified Payroll Professionals (CPPs) from PenSoft attended the event: Stephanie Salavejus, Vice President & COO, and Jasmine Jones, Tax Librarian.

Even during COVID-19, our customer relations team must prepare for questions from our clients, third-party partners, and our employees. In responding to the changing landscape, whether reduced working hours, employee telecommuting, or addressing a shutdown, continuing education is vital in preparing to provide guidance and direct clients to the available resources.

Stephanie Salavejus, Vice President, APA Board of Directors, presented a session at the Congress Xstream "DOL Investigation: How Would You Stack Up?" In addition to Congress Xstream, Stephanie presented "Payroll Fraud Controls" at the APA Virtual Congress event on June 24-25, 2020.

APA Award

Jasmine Jones, CPP, Tax Librarian, was honored during the APA Xstream. She received the Citation of Merit recognizing her contributions to the payroll profession through participation on the Government Relations Task Force Committee. Congratulations Jasmine.

Jasmine's supervisor, Paul MacDonald, PenSoft Director of Information Systems, received a letter of appreciation for his continuing support of Jasmine's work as an APA member and volunteer.

Employees

Kenneth Rockett, Lead Programmer, celebrated 15 years at PenSoft. He is responsible for leading the development and maintenance of PenSoft Payroll and selected ancillary products. While this year has been a real challenge with all the tax and forms changes, he excels and ensures changes in PenSoft Payroll are accurate and timely. Congratulations and thanks Kenneth for a job well done.

Denise Beaumont, Program Consultant, celebrated 5 years at PenSoft. In addition to answering questions from our customers she contributes to the Knowledge Database, researches selected state tax and form changes, and tests the next generation products. Congratulations and thanks for your dedicated service to PenSoft.

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criminals intercepting your data and gaining access to your private information.

If using a VPN service, we suggest performing stringent due diligence to ensure the vendor provides an authentic private network. Many use the terminology VPN and VPN services interchangeably, creating confusion. They are not the same, and the level of service between VPN service vendors often is not identical.

Key points to consider when using a VPN connection:

- Keep all software and hardware updated, especially when using a VPN connection.
- Require strong authentication and password protocols.
- Train employees the proper protocols when using a VPN connection.
- Consider limiting VPN access only during hours of operation or when necessary.
- Limit network access to only the areas employees need for working remotely versus the entire system.
- Implement a verification process when remote workers connect to the VPN. Verify the remote computers have up-to-date antivirus and firewall protection per the company's network policies.
- Increase monitoring to review attack detection logs and establish a process for acceptable response time.
- Provide a platform for employees to report suspicious behavior.
- Communication culture should be open and honest throughout the organization.

With the Federal Bureau of Investigation reporting a 400 percent spike in cyberattack complaints since the start of the pandemic, now is the time to review your remote access protocols.

Q&A

Q. Our company established an IRS Qualified Leave Donation program during COVID-19. How can I set up PenSoft Payroll to manage leave donated from one employee to another?

A. An IRS Qualified Leave Donation program typically refers to Notice 2020-46. Without knowing more about your donation leave policy it is challenging to answer your question. Call and speak with a Customer Relations Specialist to ensure we fully understand the management requirements for donated leave.

Q. Can I print the 1099-NEC from PenSoft Payroll to submit to the IRS?

A. Per the IRS – no. The official version of Copy A of the Form 1099-NEC must be scannable, printing the form from PenSoft Payroll is not scannable. We recommend electronically filing the form or ordering the Form 1099-NEC from PenSoft to ensure compliance. Filing a non-scannable copy A of Form 1099-NEC could result in a penalty for filing information return forms that cannot be scanned.

Q. Due to Stay at Home orders we have employees who are working in a different state then the corporate office. How do we know when to setup accounts in these states to comply with Nexus?

A. COVID-19 has complicated NEXUS compliance for many organizations. Being we do not know your states of operation, we can only provide general guidance for obtaining the NEXUS rules for the states.

In general, companies are considered to have nexus in a state for purposes of all taxes imposed by that state, including income, franchise, gross receipts, and sales/use taxes, if they have employees working in the state.

Only a handful of states have addressed Nexus considering the COVID-19 pandemic. We advise PenSoft customers to consult their tax or accounting professional to ensure full compliance with state NEXUS requirements.

If you find you need to set up multi-state taxation for your employees, contact our customer relations specialist for assistance in adding income categories specifically taxed for the state of operations.

2021 PenSoft Payroll

What a crazy year 2020 has been! And it is already more than halfway over. This means we are starting our prepping process for 2021 PenSoft Payroll!

2021 PenSoft Payroll will be available for download December 21, 2020! All necessary information required to download, install, and register 2021 PenSoft Payroll will be included in the e-mail notifications sent on December 21st!

2020 Tax Forms

Also, don't forget your tax forms! Our tax form packages are GUARANTEED compatible with PenSoft Payroll! Prepaid tax forms will ship on or before November 16, 2020. Order TODAY! Please check your tax form package as soon as you receive it!

Do You Need 1099-NEC Forms to File?

We have them! You can view the prices at **www.pensoft.com/taxforms/taxforms**. We are proud to offer compatible 1099-NEC form packages for our PenSoft Payroll customers!

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

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- Individuals' federal income tax was withheld under the backup withholding rules regardless of the amount of the payment

You can locate detailed instructions and exceptions at

www.irs.gov/forms-pubs/about-form-1099-misc

Instructions for Completing the 1099-NEC

- Recipient's taxpayer identification number (TIN) - The IRS allows truncating the taxpayer identification to only the last four digits of the TIN. The TIN includes social security number, individual taxpayer identification number, adoption taxpayer identification number, or employer identification number on the recipient's copy to protect their identification number from theft. However, the IRS copy A will include the full TIN.
- Fair and Accurate Credit Transaction Act (FATCA) filing requirement. You may be required to include a checkmark for the FATCA filing requirement for property held in foreign countries.
- Account number. An optional unique account number.
- Box 1 displays the non-employee compensation and (or) nonqualified deferred compensation (NQDC). The amounts reported as NQDC are includible in gross income for failure to meet the requirements under section Internal Revenue Code Section 409A.
- Box 2 reserved.
- Box 3 reserved.
- Box 4 displays backup withholding.
- Boxes 5–7 displays state income tax withheld.

PenSoft customers never have to worry about keeping up with regulatory changes, PenSoft has a team of professionals responsible for monitoring legislative changes so our customers can focus on growing their business. The Form 1099-NEC is under development. The second phase is quality assurance testing and then uploading the software on the PenSoft website. A notice is sent out via email, notifying clients the update is available for download.

All update notifications, training registration, and product purchase confirmations are sent by email. It only takes a moment to verify your information is current to ensure you continue to receive all of the benefits of your PenSoft Payroll subscription. In confirming your customer information and making @pensoft.com a safe sender, you enable PenSoft to serve you better.

There are many resources on best practices for remote desktop protocols and securing employee home networks available on the internet, such as SANS Security's – Work-from-Home Deployment Kit.

www.sans.org/security-awareness-training/sans-security-awareness-work-home-deployment-kit

PenSoft Payroll Hosted Solution

Clients looking for a more streamlined solution to working remotely in a secured environment should consider subscribing to PenSoft Payroll Hosted Solution. It provides access to your payroll 24/7 anywhere you have an internet connection.

As an administrator, you manage all authorized users. You can provide your accountant and staff access by setting them as authorized users providing access to time-sensitive information.

The maintenance updates are automated and handled by PenSoft to ensure you are processing payroll on the most current version of the application. There are no IT headaches or installation challenges.

Your payroll data resides at a state of the art Tier III data center, including redundant power and network capabilities. Security features include physical security elements such as key card access, biometric scanning, mantrap entries, cameras, and access logs to ensure only authorized personnel handle the data.

Built-in data redundancy. The host data center performs regular data backups – incremental backups nightly, and full backups weekly. Backups are moved off-site to a separate location daily by authorized employees of the host data center.

Learn more about how PenSoft Hosted Solution can make a difference in your business by calling 888-736-7638 or visit **www.pensoft.com/hostedpayroll/calculator** to determine the subscription best suited for your organization.

PenSoft wants to help our clients establish a secure remote working environment. If you have questions regarding how PenSoft secures your customer information, contact us to learn how our security protocols keeping your data secure.