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Form W-2 Electronic Filing Threshold to Drop

The Taxpayer First Act reduced the electronic filing threshold for the combined filing of most information returns, this includes the Forms W-2, Wage and Tax Statement, and the Form 1099 series. The threshold for the 2021 tax year is 100 and drops to 10 for the 2022 tax year.

In preparation for the increased volume of electronically filed forms, the Social Security Administration (SSA) is working with industry, both public and private, modernizing the SSA's technology infrastructure to ensure efficiency and accuracy for the increased number of files anticipated. In addition to improving the technology infrastructure the agency is also focusing on improving customer service.

The new infrastructure provides flexibility in the automated customer service channels thus allowing the agency to shift human resources to the face-to-face public service operation. In recent years the access to in person meetings was limited to reduce office hours and the number of available representatives.

The SSA's objective is to hire 1,000 staff to fill public service offices once the final appropriations are approved and offices will no longer close early on Wednesdays to provide the level of customer service expected of the SSA.

Now is the perfect time to register with the Social Security Administration Business Services Online (BSO) free service and begin using the BSO e-file system to be prepared for the mandate in 2021.

Businesses needing assistance from the SSA with payroll reporting processes and applications can contact their Regional Employer Services Liaison Officer. Locate your state liaison officer on the SSA website or direct access via www.ssa.gov/employer/wage_reporting_specialists.htm

Register With Business Services
Online TODAY!

The SSA's work for increasing its workforce and modernizing its technology began in 2017. The system modernization will deliver an improved customer experience for millions of beneficiaries across all service channels and is only the first step to improving customer service at the SSA.

On-Demand Pay Platforms

On-demand pay platforms have received a lot of press attention this past year. Employers interested in expanding their benefits packages are asking how PenSoft works with the vendor platforms.

What is a same day pay platform?

It is market vendors offering employees the ability to access a portion of earned wages outside of their employer's regularly scheduled payroll deposit.

Employers use the benefit to attract and retain employees while providing employees with a solution for meeting their financial obligations. There is minimal or no cost for the employer,

but there is a cost for the employees who request the transfer of funds to their account.

There is a diverse group of market vendors who offer the service and each manages their platforms differently making it challenging for employers to compare. When considering a vendor, employers need to do their due diligence to select a reputable vendor as not to select a service that can be detrimental for the employer or the employees.

Since the introduction of the on-demand pay platforms there has been a long list of questions and concerns from employers. A key concern involves

Per the Federal Reserve,
over 40% of adults could
not cover an emergency
expense of \$400.

In observance of
Memorial Day, PenSoft
will be closed Monday,
May 25th.



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Leroy Newman
President & CEO

President's Corner

We hope you and your family had an enjoyable Holiday Season, and your business is off to a good start in 2020.

2019 was another successful year for PenSoft. Thanks to customer loyalty PenSoft finished the year with 93.1% renewal of our total 2018 sales. We appreciate the opportunity to have served our customers throughout the year. Our 2020 renewal rate is on track to exceed 2019's rate.

2020 Taxes

We have already seen numerous changes to State income tax rates and brackets, UI rates and additional taxes such as "Family Leave Act", etc. Changes to date have been made in PenSoft Payroll and, if not already, will be distributed in the 1st Quarter update release in mid-March. Be sure to download and install this update.

We expect there will be many additional tax updates throughout this year. PenSoft will monitor the States, implement their changes and notify you when they are ready for download. It is important for you to keep your software up to date with tax changes as they occur.

Celebration

January 3, 2020 PenSoft celebrated 30 years developing, producing, distributing and supporting payroll software. From meager beginnings to our current position of serving customers in every State, it has been a challenging but rewarding journey. Maintaining the tax requirements for all 50 States is a full time research and development effort met head-on by a professional staff of programmers, program supporters and administrators.

PenSoft has stayed true to its roots of exclusively developing payroll and associated products and services. Because payroll is not the entire business back office we have integrated with third party companies in the areas of direct deposit, paystubs online, accounting software, time and attendance systems, etc. These connections have allowed us to offer a more complete solution while maintaining our focus on our core competency of payroll.

Forum, Training, Videos

PenSoft is working hard to increase information for our customers. The Forum is a viable source of product information. Videos are being developed as additional training tools to enhance customer payroll knowledge. Webinars and virtual training have been a real success as a source of payroll and product information. Our website identifies the tools available and when they will be offered. Many are offered at no cost. Individual training is also available at minimal costs. Check out our website to see what would be of value to you and your company.

Financial Literacy Month

Employers are sometimes firsthand witnesses to the impact of their workforce's financial decisions. The stress and anxiety can impact the employee's attendance and performance so many employers are actively promoting financial literacy.

April is National Financial Literacy Month. It is a month of celebration and challenge. Financial Literacy Month provides a chance for all to reflect on the state of their finances and to improve on them, one step at a time.

How can you participate in Financial Literacy Month at your company?

- Get the word out to your social media network
- Volunteer with an organization in your community
- Take time to review your financial capabilities and encourage family and friends to do the same
- Ask local politicians to issue a formal proclamation to promote financial literacy
- Host an event to promote financial literacy

Interested in obtaining more information? The National Financial Education Counsel provides complimentary personal finance resources and ideas for participating in Financial Literacy Month. Visit www.financialeducatorsCouncil.org/financial-literacy-month/

Also, another great resource courtesy of the United States government is www.mycreditunion.gov/financial-resources/calendar-events/financial-literacy-month

Q&A

Q. We have an employee who returned from a leave of absence and owes the company for their 2019 pre-tax medical benefits. Per our CPA, employees cannot pay for benefits on a pre-tax basis in a different year than the coverage. How should I set up the deduction in 2020 for the coverage of benefits post-tax?

A. PenSoft suggests creating a user-defined deduction for post-tax medical benefits. By default the deduction is subject to withholding taxes. We recommend confirming the setup with your CPA.

Q. An employee legally changed their name and the employee's record was updated, but due to a systems issue, we had to restore a backup prior to the change, and failed to go back in to correct the name. The employee notified us the last name on their W-2 was their previous name but the W-2s had been uploaded to the Social Security Administration (SSA). The SSA said we did not have to resubmit the employees W-2, because both names are associated with the record, but the employee is asking for a new W-2. Will changing the employee's name and reissuing the W-2 create problems in PenSoft Payroll?

A. Reprinting the employee's W-2 with the updated name will not cause any issues in PenSoft Payroll. We recommend putting notes in the employee's record to have an account of the events, including the discussion you had with the SSA and the name of the agent if possible.

Q. We print our W-2s in house for 4,000 employees. With the ability to print to a PDF, do I have to print the employer's record copy of the actual forms?

A. Employers have the option to keep their record digitally. When you go to print, select the printer that supports PDF. We recommend keeping the records in a central location and well labeled in the event you should need to access the information.

NOTE: You cannot submit a PDF copy to the SSA.

Worker Classification Under the Microscope

We hosted a PenSoft webinar on November 5, 2019 discussing the DOL White-Collar Salary Exemption and about the threshold rising for 2020.

It has been a long time in the works, but the DOL announced in September 2019, the white-collar overtime threshold will rise to \$684 a week from \$455 a week under the final rules released by the Labor Department.

The new rules, which took effect January 1, 2020, increased the salary threshold for executive, administrative, and professionals to \$35,568 a year from \$23,660 a year.

Employers with workers who may qualify as executives, professional, and administrative employees will be affected by the final rule, which updates white-collar overtime requirements, but leaves the duties test unchanged.

These amounts reflect marginal increases from the \$679 a week or \$35,308 a year amounts that appeared in the proposed rule issued in March 2019. The white-collar overtime requirements focus primarily on updating 2004 salary-threshold requirements for employers for exempt executive, professional, and administrative employees from the federal Fair Labor Standards Act overtime rules.

In a separate wage category, the final rules raise the salary threshold for highly compensated employees to \$107,432 in

annual compensation with up to 10% of the salary threshold may be met using nondiscretionary bonuses and incentive payments that may be paid any time in a calendar, fiscal, or employee-anniversary year up to the first pay-period after year-end.

Employers in the motion-picture industry have a special weekly base rate of \$1,043.

In general, to qualify for exemption from the FLSA minimum wage and overtime requirements, an employee must meet the job duties, salary basis, and salary amount requirements. In this context, "paid on a salary basis" means an employee regularly receives a predetermined amount of compensation each pay period and "salary amount" means the salary must be at least the minimum amount. This salary amount cannot be reduced because of variations in the quality or quantity of the employee's work.

There are some exceptions, but generally an exempt employee must receive the full salary for any week in which the employee performs any work, regardless of the number of days or hours worked. The employer may not make deductions from the salary for reasons other than the specifically allowable

On-Demand Pay, continued from page 1

constructive receipt. Under the principle of constructive payment, an employee is considered to have been paid when the wages are made available to the employee without “substantial limitation or restriction.” Meaning the wages can be drawn on or controlled by the employee.

Most vendors report their platforms are compliant with the IRS as it relates to the constructive receipt, but employers need to pay close attention to the federal regulations including when wages are subject to payroll tax withholding, depositing, and reporting requirements when the employee is actually or constructively paid.

The Internal Revenue Service (IRS) has remained silent but several associations have formally asked the IRS to provide guidance.

The IRS announced plans to publish guidance regarding on-demand payments last year. Employers can expect regulations or a set of frequently asked questions and answers.

Until the IRS publishes guidance for on-demand pay platforms, it is the employer’s responsibility to ensure they are compliant with all federal, state and local minimum wage, overtime and payday requirements.

On-Demand Pay Integration

With no standardized platform or reporting requirements, each vendor marches to their own beat. When negotiating with an on-demand pay vendor, we recommend contacting PenSoft’s Customer Relations to discuss the requirements for sharing information or establishing reports for submission to the vendor. For assistance call 757-873-1199 or e-mail support@pensoft.com

Some platforms are managed entirely outside of payroll while other platforms can be integrated with your payroll solution to obtain information for managing employees’ requests for payment within the scope of the contract.

In the event your vendor is offering a customized integration option, request the PenSoft Software Development Kit (SDK) for your vendor. The SDK provides instructions for accessing the PenSoft Payroll database.

We work and live in an environment of on-demand technology, so it is no surprise that employees want immediate access to wages they have earned. With on-demand pay platforms, employers have the option of offering the benefit of on-demand pay, so that employees can better manage their financial situations without impacting their focus or productivity at work.

Classification, continued from page 1

deductions. There is no provision for a reduction in the minimum salary required for the exemption on the basis of a part-time schedule.

Some states’ overtime and minimum-wage exemption requirements for white-collar employees will be impacted by the change in the federal requirements. If you are a multistate employer, it is important to review compliance on a state-by-state basis. The general rule in employment law is that businesses must comply with the law that provides the most protection for the employee. In instances where states have their exemption tests, such as California, the employer must satisfy whichever salary threshold is greater, whether it is the federal or state rate.

Some states may have different duties tests as well as salary cutoffs, and so it is critical to understand and comply with the more stringent of the applicable rules.

The Department of Labor estimates 1.3 million workers will become entitled to overtime protection with the increase in the salary level.

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