



INNOVATIVE  
BUSINESS  
SOLUTIONS, INC.



November 2000

"A payroll and automation services company"

### Preparing for Year-End

Once again it's time to prepare for the end of the year. With the Year 2001 fast approaching, we want to stress the importance of reporting all of your 2000 payroll related items prior to January 1<sup>st</sup>.

First, we would like to say "Thank you" for choosing Innovative Business Solutions as your payroll service. We sincerely appreciate your continued confidence in us and your decision to do business locally.

Next, we would like to remind you that we need your help to be sure that your year-end payroll reporting is accurate and complete.

You need to notify us of any earning or tax information that is not part of your ordinary payroll, but needs to be reported on your employees' W-2's. This should be done as early as possible prior to December 31<sup>st</sup> to avoid costly backdating of payrolls after 2000 has been closed. Some of the items to consider are:

1. Employer provided life insurance in excess of \$50,000;
2. Personal use of company provided vehicles;
3. Reportable qualifying employee gifts or awards;
4. Employer contributions to a non-qualified deferred compensation or retirement plan;
5. Employer paid moving expenses;
6. Handchecks, voids or bonuses paid after your last scheduled payroll run for the year;
7. Allocated Tips;

8. Sick or disability pay reported to you by a third party administrator.
9. Any other taxable fringe benefits (Unsubstantiated Cash Payments, Health Club Memberships, etc).

Another reason for reporting taxable fringe items with your regularly scheduled payroll is that associated taxes can be withheld from your employee's normal payroll check. If they are reported separately, the employer will have to fund both the employee's and employer's shares.

If you are unable to quantify any of these items before December 31<sup>st</sup>, please call us to let us know when you will have the information necessary to print your W-2's.

### Schedule Your Special Year-End Payroll Runs

In order to ensure the highest degree of service, we are requesting our clients to notify us in advance of upcoming special payroll runs (bonuses, taxable fringe, etc.). If you require a special year-end payroll, please give us as much advance notice as possible. Requests for special payroll runs without advance notice may result in additional processing fee premiums. Please complete the attached 'Special Unscheduled Payroll Request' Form and fax it back to IBS at (707) 586-4303.

Keep in mind that any payrolls required to be run after your first payroll of 2001 is processed will almost invariably result in a late deposit of payroll taxes, and will carry a minimum fee of \$300 to re-open a previously closed year.

### Social Security Wage and California Disability Rate

The Social Security wage limit for 2001 has been increased to \$80,400. The California Disability Insurance tax rate has been increased to .9 % for 2001. The mileage rate for 2001 is 34.5 cents.

### Bonus Payments

Don't forget to consider statutory required withholding rates of 28% and 6% for Federal and California respectively for all supplemental payments to employees over and above their base salary. If your employees insist on any other rate of withholding, you should protect yourself and your company by insisting on separate W-4 and DE-4 statements for these payments.

### 2001 Payroll Calendars

Please complete and return the enclosed payroll calendar to IBS. Be sure to indicate transmission date and pay date for your payrolls in the upcoming year.

### New W-4 Forms

Please remember that as your employees turn in new W-4 forms for 2001, you need to forward copies to the IRS for any claiming more than 10 withholding allowances, or for any claiming exempt from withholding but earning more than \$200 per week.

