



INNOVATIVE  
BUSINESS  
SOLUTIONS, INC.



November 2005

**"Thank you for your business!"**

[www.ibspayroll.com](http://www.ibspayroll.com)

### Preparing for Year-End

We want to stress the importance of reporting all of your 2005 payroll related items prior to January 1<sup>st</sup>.

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 2005 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, Registered Domestic Partner Health Coverage, 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 or the affected employee has terminated, the employer will often have to fund both

the employees 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 2006 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 2006 has been increased to \$94,200. The California Disability Insurance rate for 2006 has been reduced to .8%, and the wage base will remain at \$79,418. The EDD will notify you of your UI rate by mail in December.



### Bonus Payments

Don't forget to consider statutory required withholding rates of 25% and 6% for Federal and California respectively for all supplemental payments to employees over and above their base salary. The state of California still uses a special rate of 9.3% for separate bonus payments.

### Duplicated W-2 Forms

Please remember that as an employer, you are obligated to validate any requests for duplicate W-2 forms from your employees. To assist in creating documentation, we have developed an authorization form, which is available on the IBS Website at the URL:

[www.ibspayroll.com/ibspublic2/portals/0/dupw2form.doc](http://www.ibspayroll.com/ibspublic2/portals/0/dupw2form.doc)

### IBS On The Internet

#### **IBS Web Pay-Take Control!** -

Over 100 IBS clients are using our free internet product to take control of their employee HR and Payroll information. Would you like to be next? Call (707) 586-4300 to learn more.

**New e-Notification** - IBS has a new free service to notify clients via email upon completion of your payroll processing. As an option, we can include payroll totals for earnings, deductions, taxes, net pay and fees. Please call (707) 586-4300 and we'd be happy to set you up.

**FREE e-Newsletter** - IBS publishes a free electronic Newsletter that is circulated via email every other Wednesday. It is designed to inform our clients about important HR and Payroll related topics. Please call (707) 586-4300 to subscribe.