

Advantage

Quarterly News & Advice
from Advantage Payroll Services

Payroll Quarterly



FIRST QUARTER 2006

TAX UPDATES

Personal Exemption Amount Increase

The amount you can deduct for each exemption has increased from \$3,200 in 2005 to \$3,300 in 2006. You lose all or part of the benefit of your exemptions if your adjusted gross income is above a certain amount. The amount at which the phaseout begins depends on your filing status.

For 2006, the phaseout begins at:

- \$112,875 for married persons filing separately,
- \$150,500 for single individuals,
- \$188,150 for heads of household, and
- \$225,750 for married persons filing jointly or qualifying widow(er)s.

If your adjusted gross income is above the amount for your filing status, use the Deduction for Exemptions Worksheet in the Form 1040 instructions to figure the amount you can deduct for exemptions.

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CUSTOMER PROFILE

Subway Sandwich Shop owner benefits from Advantage Payroll's New Hire Reporting service to meet the state's new hire requirements

Tony Sousa owns 2 Subway Sandwich and Salad shops in central Connecticut. He has been a satisfied client of Advantage since starting the first one in 1998. Tony expanded with his second shop two years ago and is opening a third this spring. He currently employs approximately 25 people between the two locations. As the owner of this growing business, Tony depends on Advantage to handle all his payroll needs.



One of the services he uses is Advantage's New Hire Reporting. As an employer, Tony is required by federal law to report each new hire and re-hire to his state agency. With the New Hire Reporting service, Advantage keeps track of his state's specific requirements and automatically forwards a New Hire Report to the state agency whenever he adds an employee to his payroll. Tony says, "I am very happy with this service. It saves me a lot of time and headaches." Now, Tony can concentrate on expanding his business knowing his new hire requirements are fulfilled.

For more information about our products and services, contact an Advantage Payroll Services representative at an office near you.

TAX UPDATES

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Earned Income Credit Amounts Increase

The maximum amount of income you can earn and still get the credit is higher for 2006 than it is for 2005.

You may be able to take the credit for 2006 if:

- You have more than one qualifying child and you earn less than \$36,348 (\$38,348 if married filing jointly)
- You have one qualifying child and you earn less than \$32,001 (\$34,001 if married filing jointly), or
- You do not have a qualifying child and you earn less than \$12,120 (\$14,120 if married filing jointly).

The maximum amount of adjusted gross income (AGI) you can have and still get the credit has also increased. You may be able to take the credit if your AGI is less than the amount in the above list that applies to you.

The maximum amount of investment income you can have in 2006 and still get the credit increases to \$2,800.

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NEW HIRE REPORTING

THE NEW HIRE DILEMMA

Federal law requires every employer to report each new hire and rehire to a designated state agency, and requires all states to conform to a set of minimum standards for the information that must be reported:

- Each new hire's name, address and SSN
- Employer's name, address and federal employer ID#

However, the law also gives states the option of requiring employers to report additional information, such as the new hire's date of hire, date of birth, state of hire and other relevant data. States also have the freedom to set their own deadlines for reporting.

Failure to comply with these laws can lead to financial penalties and other serious problems. That's why for some employers, keeping up with changing state standards and compliance guidelines can be an unwanted burden.

THE ADVANTAGE SOLUTION

Because we already maintain all the pertinent employee data, Advantage Payroll Services can assist you with New Hire Reporting compliance automatically, as an additional service to our high-precision payroll processing.

Our team of compliance experts saves you the responsibility of keeping up with changing state statutes and meeting filing deadlines. We can also save you substantial costs in personnel and productivity when you compare our service to the cost of having an employee within your organization be responsible for these duties.

When you choose this convenient, value-added service, Advantage automatically generates a New Hire Report each week that includes all new hires and rehires that occurred within that week. If you are a non-weekly payroll client, we recommend that you call in any new hires between pay periods to ensure compliance with your particular state requirements.

Advantage forwards these reports directly to the appropriate state agencies, with the same degree of accuracy and timeliness we apply to all your payroll and tax filing requirements. It's another great way we take care of the details...so you can get back to business.



For more information about our products and services, contact an Advantage Payroll Services representative at an office location nearest you.

IRS RAISES SOME USER FEES IN 2006

IR-2005-144, DEC. 19, 2005

WASHINGTON — The Internal Revenue Service today announced increases in selected user fees for 2006. The new fee structure will more accurately reflect the costs of processing various applications, ruling requests and opinion letters.

The Office of Management and Budget has directed federal agencies to charge user fees reflecting the full cost of goods or services “that convey special benefits to recipients beyond those accruing to the general public.”

The fee increases announced today affect a limited population of taxpayers and tax-exempt entities with technical questions or procedural issues.

User fees are effective as of February 1, 2006, except as noted.

Among the changes:

- The fee for IRS Chief Counsel private letter rulings will increase from \$7,000 to \$10,000. Under the new fee schedule, taxpayers earning less than \$250,000 can request a private letter ruling for a reduced fee of \$625 while a fee of \$2,500 will apply to requests from taxpayers earning from \$250,000 to \$1 million.
- The fee for requests for changes in accounting methods for businesses will increase from the previous \$1,500 to \$2,500.
- For corporate taxpayers, the cost of a pre-filing agreement will increase from the previous three-tiered structure, which was capped at \$10,000, to a new flat fee of \$50,000. Also, Advance Pricing Agreements, which previously cost from \$5,000 to \$25,000, will now cost from \$22,500 to \$50,000.
- For employee plans, fees for opinion letters on prototype IRAs, SEPs, SIMPLE IRAs and Roth IRAs, which were previously \$125 to \$2,570, will now range from \$200 to \$4,500. Fees for exempt organizations rulings, which previously cost \$155 to \$2,570, will now range from \$275 to \$8,700.

Some other user fees in the exempt organizations and employee plans area will increase July 1. For example, user fees for exempt organization applications and requests for group exemption letters, which currently range from \$150 to \$500, will increase to \$300 to \$900.

More information on increases in user fees will be published in Revenue Procedures 2006-1 and 2006-8, which appears in Internal Revenue Bulletin 2006-1 on Jan. 3, 2006.

The increase in the fees for Advance Pricing Agreements is described in a separate revenue procedure, Revenue Procedure 2006-9, which is being released today and will appear in Internal Revenue Bulletin 2006-2 on Jan. 9, 2006.

Additional updates on user fees will be announced later.

TAX UPDATES

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Standard Deduction Amount Increased

The standard deduction for taxpayers who do not itemize deductions on Schedule A of Form 1040 is, in most cases, higher for 2006 than it was for 2005. The amount depends on your filing status, whether you are 65 or older or blind, and whether an exemption can be claimed for you by another taxpayer.

The basic standard deduction amounts for 2006 are:

- Head of household — \$7,550
- Married taxpayers filing jointly and qualifying widow(er)s — \$10,300
- Married taxpayers filing separately — \$5,150
- Single — \$5,150

The standard deduction amount for an individual who may be claimed as a dependent by another taxpayer may not exceed the greater of \$850 or the sum of \$300 and the individual's earned income.

IRS Strengthens Withholding Compliance Program

The IRS has stepped up its withholding compliance program by making more effective use of information reported on W-2 wage statements to ensure that employees have enough federal income tax withheld from their paychecks. At the same time, employers are no longer required to submit potentially questionable Forms W-4 to the IRS.

CONTACT US

For sales and product information, contact your local Advantage office
or to locate the office nearest you, call toll-free:

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You can e-mail your questions or comments,
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Log on to our Web site at

www.advantagepayroll.com

where, in addition to a wealth of information on
Advantage Payroll and its services, there is a form you
can fill out to contact us online.

We look forward to hearing from you!

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