

Citations of Merit are awarded annually at the American Payroll Congress. This top honor is given to people who participate in various APA committees.

French was recognized for her participation in the APA's Government Affairs Task Force, the Hotline Referral Service and as a speaker in this year's APA Congress. She is also a recipient of the 1999 Meritorious Service Award. Hughes received a Citation of Merit for her significant contributions to the payroll community through participation in the Hotline Referral Service. ■



©2000 Advantage Business Services Holdings, Inc. Advantage Payroll Services is the registered trademark name of Advantage Business Services Holdings, Inc. Advantage is an industry leader and top 5 provider of payroll and tax filing related products and services. Providing local, customized service to the small to midsize business community, Advantage has over 40 offices located throughout the United States, with Headquarters located in Auburn, ME. *Payroll Quarterly* is a quarterly newsletter published by Advantage Payroll Services for its clients, accountants, and other interested readers. These articles are intended to give accurate information regarding the topics being discussed. Advantage is not engaged in rendering legal or accounting services (other than payroll) in this publication. While the information contained is helpful, the complexity of laws governing payroll necessitates seeking the professional advice of an attorney or accountant. Reproduction of *Payroll Quarterly* is encouraged, provided credit is given to Advantage Payroll Services.

Contact Us!

For sales and product information, or to locate the office nearest you, call toll-free: **877-777-9567**

For other questions or comments, contact our corporate offices at: **800-876-0178**

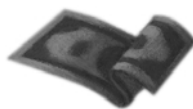
You can e-mail your questions or comments, including those regarding *Payroll Quarterly*, to: **info@advantagepayroll.com**

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!



Advantage Payroll Quarterly

Quarterly News & Advice from Advantage Payroll Services



3RD QUARTER 2000

Federal Update

IRS Priorities for 2000

Every year the IRS issues its "Guidance Priority Plan," which provides very general descriptions of guidance projects the IRS expects to complete each year. This year's plan includes 243 items, 10 more than last year. Several of the Year 2000 projects have direct payroll implications, including:

- Cash or deferred arrangements under §401(k)
- Reporting and withholding for §457(b) plans
- §125 cafeteria plan administration
- Incentive stock options and employee stock purchase plans
- Tip reporting, including final regulations on electronic tip reporting
- Electronic employment tax reporting
- Withholding and reporting requirements for payments made by educational institutions to non-resident aliens
- Withholding on payments to foreign individuals
- Furnishing employee payee statements electronically
- The federal tax deposit system

IRS priority plans are comprehensive, but not necessarily exclusive, as the agency reacts to developments over the course of the year.

Client Profile: Advantage Payroll Helps Erika Records Keep the Vinyl Spinning

You may think the CD has replaced the traditional vinyl record, but Liz Dunster and her 21 employees at Erika Records in California are irrefutable proof of the exact opposite.

Erika Records manufactures not only the classic black record, but is the largest manufacturer of specialty marketing and promotional items (such as picture discs) in North America. In addition, it is the only manufacturer of shaped records. Erika's shaped records are hand-crafted and definitely out of the ordinary — befitting the company's focus on catering to independent musicians.

Erika Records uses Advantage for basic payroll, and is a full tax service client. And although her independent streak led Liz to be initially reluctant to outsource her payroll and tax filing (her CPA tried for five years to convince her it was the right move), she's happy to reap the benefits. "Letting go was tough," Liz says. "But now I know it gets done right. And it lets me concentrate on the important things, like starting our own record label to complement our recording and distribution services."

Liz says that one of the things she likes best about working with Advantage is that "the people are absolutely awesome!" ■

FAQ's

Each issue we'll be featuring the answers to some common payroll and tax questions our clients pose to us.

Q: What taxes do I pay as an Employer?

A: FICA (Social Security — 6.2% of gross pay up to \$76,200) Medicare (1.45% of gross pay), FUTA (Federal Unemployment Tax Act .8% of gross up to \$7,000 of each employee's wages), SUI (State Unemployment Insurance — amount varies from employer to employer), SDI (State Disability Insurance — in some states)

Q: Can my employees have direct deposit on Saturday?

A: No. Banks do not process ACH transactions during the weekends, or on holidays.

Q: Why is the YTD on my employees check stub different than what is on their W2?

A: If your employee contributed to a Cafeteria (125 plan), or Deferred



PSRT STD
U.S. POSTAGE
PAID
PORTLAND, ME
PERMIT NO 71

ADVANTAGE
PAYROLL SERVICES
P.O. Box 1330 • Auburn, ME 04420

Common Law Test

What constitutes the difference between an employee and an independent contractor? The IRS uses the following guidelines:

EMPLOYEE

INDEPENDENT CONTRACTOR

Required to comply with employer's instructions about when, where and how to work

Sets own hours; determines own sequence of work

Works full time for the employer

Works for other employers; services available to the public

Hired by the employer

Hired by a leasing company; self-employed

Subject to dismissal; can quit without liability

Under a contract that governs how the relationship can be severed

Works at the employer's premises

Works off-site

Has a continuous relationship

Works by the job

Work done personally

Permitted to employ assistants

Performs services under the company's name

Performs services under the worker's business name

Paid a salary; reimbursed for expenses; participates in company's fringe benefits program

Payment by the job; opportunity for profit and loss

Furnished tools, equipment, materials, and training

Furnishes own tools, equipment, training; substantial investment by the worker

Controls the sales process and terms

continued from page 1

Compensation plan, the gross amount on the W2, in certain boxes, would have to be different. For example, if the gross earnings were \$30,000, and the employee contributed \$1,000 to a 401(k) plan, the taxable gross on the W2 (box 1 & 17) would appear as \$29,000.

Q: What are my payroll expenses for the current payroll?

A: Each client automatically receives a Payroll Statement with its payroll itemizing expenses. You will find a breakdown of gross wages, employee taxes & deductions, net paychecks, direct deposit, employer taxes, processing fees and total payroll expense.

Q: What report will show the detail of all of my employees' paychecks?

A: The Payroll Register. We have made this report easy to spot by printing it on red, white and gray paper. The Payroll Register will list each check separately and will show gross wages, deductions, taxes, net pay and check number. ■



Give Yourself a Tax Advantage

A number of clients like Erika Records ease the headache of paying taxes and meeting the reporting requirements of federal, state and local jurisdictions with our fully integrated tax service that handles all of your payroll tax calculations, payments and reporting obligations seamlessly. There are no additional fees for Advantage's tax filing services; they are provided as a value-added benefit to our standard payroll service.

At Advantage, we understand how important it is for small business owners to spend their time productively, working to grow their businesses. Our payroll and tax filing services will help free up the time to do so by taking care of the tedious aspects of paying business taxes. Simply transmit your payroll data to Advantage each pay period and we'll take it from there. Our fully integrated payroll and tax software uses state-of-the-art technology to report and pay your taxes for you either electronically or on paper, whichever is required by law.

We'll also help you manage your cash flow by collecting and paying your tax obligations during each pay period. Remember, when we're paying your payroll taxes, we take full responsibility — so you'll never have to pay a tax penalty again! ■

Tax Tidbit

The Social Security Administration sends back many of the W-2's filed by employers each year due to formatting errors that make them unreadable. In the event a W-2 is rejected, employers have 45 days to correct and resubmit the documents. As long as the file is returned within that time frame, the original filing date stands and no penalty is assessed. Should the resubmitted file also prove to be incorrect, the grace period is extended for another 45 days.

In this case, however, three times isn't a charm. The original filing date is wiped out after the third time the W-2 is returned, and the SSA deems the file submitted on the date it is received, with penalties charged back to the due date.

So clean up those rejected files carefully. The SSA does send a written explanation with each returned file, but admits they can be highly technical. If it isn't completely clear, the best course of action is to call your regional SSA employer service liaison officer. ■

New From Advantage — Instant Payroll®

Instant Payroll®, our new Internet-based payroll input concept, is an intuitive, easy to use application that allows you the control of keying your payroll hours and employee changes without having to have any special software loaded on your PC. All you need is Internet access!

Security is not an issue with *Instant Payroll*®. We have employed state-of-the-art Internet security features to ensure the integrity and confidentiality of your payroll data. By using security features provided by VeriSign® — the industry leader in Internet security services — you can be assured that your data is safe from unauthorized access while "on the wire."

Instant Payroll® was designed with the user in mind to be intuitive and easy to use. There is also a comprehensive User Reference Guide that can be downloaded and printed by you, and if this Reference guide cannot answer your questions, help is just a phone call away. Our Customer Support specialists are more than happy to help you with any *Instant Payroll*® or payroll-related questions you might have.

Instant Payroll® allows you to handle payroll processing, with control over all employee files — setting up of new hires, rate changes, etc. — as well as input of payroll hours and dollars and the ability to post voids and manual payroll checks that you may have written outside of your normal payroll processing. In addition, it includes exciting features like a Check Calculator to allow you to figure out gross to net checks right on-line, and the ability for you as a user to have even more control over your payroll by setting up and maintaining your own earnings codes, voluntary deductions, paid time off plans, employer paid benefits, workers compensation, vendors and more! This dynamic application will, over time, become even more feature-rich as we continue to receive feedback and comments from users like you. ■

Advantage Employees Honored

Nancy French, Vice President of Tax Services and Government Affairs, and Nadine Hughes, Director of Tax Compliance and Agency Relations, were both presented with Citations of Merit at the American Payroll Association's 18th Annual Congress in Orlando, Florida.

"We are pleased and honored to have two of our staff members recognized by the APA," said Charlie Lathrop. "This demonstrates their dedication to the payroll profession and to improving the products Advantage offers to the accounting and business communities."

"French and Hughes were chosen to receive this citation for their significant contributions to the payroll profession through participation in APA programs," said Dan Maddux, Executive Director of the American Payroll Association.

continued next page

Advantage Survey: Most Small Businesses Don't Use Internet For E-Commerce, 25% Don't Have Web Sites

Entrepreneurs have not embraced the Internet for e-commerce, according to the survey we recently conducted with McBain Associates. About 20% of entrepreneurs polled said they do not use the Internet for e-commerce purposes and 25% of small businesses said they do not have a corporate web site. Of the 75% who use the Internet, a surprising 57% use the Web for recruitment.

Business Purposes for Which the Internet is Used:

Marketing **80%**
Purchasing **69%**
Recruiting **57%**

Three-quarters of small businesses polled said their corporate web sites are essentially brochures describing the company and what it does. Surprisingly, more than half of the entrepreneurs polled in the survey said that the Internet is perceived as being more important than it really is in conducting business.

Function of Corporate Web Site:

Essentially a corporate brochure **61%**
Contact and communicate with colleagues **22%**
People use it to submit job applications **17%**
Customers use it to submit orders for products **12%**
Do not have a company web site **25%**