



Contents:

- * Payroll Leap Year
- * Electronic Fed Tax Payments
- * Timely Federal Tax Payments
- * DE-34
- * Tax Scams
- * A recipe for Spring
- * Announcements
- * SDAPA Board
- * Sponsors

Payroll 'leap year' will boost coffers for workers

Reuters - If you are an employee who is paid every two weeks, you may be in for a nice surprise this year.

For many employees, 2015 is a pay period leap year, meaning that there are 27 pay periods during the 52-week calendar year instead of the usual 26. This quirk happens about every 11 years, delivering a cash bonanza for many workers.

Some employers will be paying that 27th paycheck on top of regular salary, resulting in about a 4 percent annual raise, while others will redistribute the set salary among 27 checks.

"It all depends what's in your employment contract," says Debby Salam, director of payroll information management at Ernst & Young, one of the top four accounting firms.

Benefits also need to be redistributed and employees need to pay attention to the tax and retirement consequences to getting unplanned cash infusion, it is not really a bonus. Those who have any biweekly payments - on mortgages or car loans, for example - should check to see if they will owe an extra payment.

The math behind this quirk is fairly simple: 26 pay periods only account for 364 days each year - 14×26 , for those who like equations. The 365th days add up to a whole pay period over time, depending on what day you get paid and national holidays.

For employees who are paid weekly, an extra check comes every five or six years. Pay schedules reset back to normal the following year.

"It's not that you're getting a bonus, you did work the extra time," says Doug Hass, a labor and employment law attorney for Franczek Radelet, based in Chicago.

For employees paid on Fridays, 2015 is a prime year since Jan. 1, 2016, falls on payday of what would be the last pay period in the year, so checks would presumably go out on Dec. 31. Employees who typically make \$60,000 would make \$62,307 after their 27th check.

You can get your paycheck schedule and details of your company's plan for payment from your human resources department, Hass says.

SMART SPENDING

After that comes the fun - and the responsibility - for employees of spending the money. Certified financial planner Kate Holmes, founder of Belmore Financial in Las Vegas, says she remembers watching her friends gleefully splurge with their unexpected checks 11 years ago.

But today, she urges responsible spending.

The dollar amount will be different for everyone. Her advice: come up with percentages on how you will allocate the money - for example, 50 percent to debt, 25 percent to savings and 25 percent to fun. "This takes the emotional aspect out of it," Holmes says.

On the retirement and tax front, consider whether the extra paycheck will push you over the limit for 401(k) savings if you are close to the maximum contribution, Holmes says. Most payroll systems will notice that, and stop accepting contributions, which means your last few checks of the years could be even bigger.

The income boost could have tax implications, pushing people close to a higher tax bracket over the edge. And some high-paid workers could be saddled with the Alternative Minimum Tax, which limits the deductions a person can take against income. Also, means-tested benefits - such as disability or health insurance - could be affected if you are suddenly making more.

But for workers with lagging retirement savings, the extra paycheck is a great opportunity to save more.

Electronic Federal Tax Payment System (EFTPS)

All businesses are required to make electronic payments. Businesses need to make deposits by telephone or online using the Electronic Fund Transfer Payment System. This applies to Federal Tax Deposits only. Businesses that are allowed to remit taxes with a return can continue making their payments in the same manner. You may be subject to a 10% penalty if you are required to use the EFTPS system and fail to do so.

To use EFTPS, you must first enroll. Since the enrollment process can take up to 10 days to complete, we encourage you to enroll now. Delaying your enrollment may prevent you from making your required EFT payment. Taxpayers who have not received a notice and an enrollment packet (Form 9779) from the IRS, but feel you are subject to the electronic deposit rules, should call the phone numbers or visit the EFTPS website listed on page one.

If you use a third-party payroll processor and/or financial institution to pay your taxes, you must enroll to use EFTPS. Please ensure that your payroll processor is aware of your EFTPS requirements.

There are two electronic deposit methods under EFTPS:

EFTPS Direct - Instructs IRS to make a withdrawal from your bank account. No penalties if payments are made timely and you have funds to cover payment.

EFTPS Through Your Financial Institution – Instructs bank to send payment to IRS account. This method is not penalty proof as the taxpayer remains liable for the timeliness of the deposit until it is actually credited to the Treasury's account by your bank.

California EFT deposit requirements differ from the Federal requirements. But usually, businesses that electronically file federal taxes will want to electronically file California taxes. To obtain the California Form DE 27, *Electronic Fund Transfer Program Information Guide*, or Form DE 26, *Electronic Funds Transfer Authorization*, contact the EFT Unit at 916-654-9130.

Note: If you use EFTPS to make your payroll tax deposits, you must use EFTPS to pay all of your depository taxes, including employment taxes, excise taxes, and corporate income taxes.

Are Your Federal Tax Deposits Timely? Look back!

The Look back Rule: For 2015 each employer must "look back" to the four quarters beginning July 1, 2013, and ended June 30, 2014. If the employment taxes originally reported on Forms 941 during these four quarters totaled less than \$50,000, the employer is a "monthly depositor." If the employment taxes reported in these quarters exceeded \$50,000, the employer is a "semi-weekly depositor."

The "look back" is done annually. Each subsequent year the employer would be subject to a similar "look back" to the immediate past 12-month period ended June 30th, in order to determine depositor status for the upcoming calendar year. New employers are considered to have zero employment liabilities for any quarter in the "look back" period in which the employer did not exist. Therefore, new employers will be monthly depositors unless they fall under the de minimis rule.

DEPOSIT RULES

Monthly Depositors Rule: A "monthly depositor" must deposit employment taxes accumulated within the calendar month on or before the 15th day of the following month. If the 15th follows on a weekend or holiday, deposits can be made the first business day following the 15th, except for electronic filers.

Note: Electronic filers must file monthly deposits on the last business day prior to the 15th of the month or their payroll tax deposit will be considered late and a penalty will be assessed.

Semi-Weekly Depositors Rule: The deposits of "semiweekly depositors" are due either on or before Wednesday or Friday, of each week, depending on when the wages are paid. If wages are paid on Wednesday, Thursday, or Friday, taxes must be deposited on or before the following Wednesday. If the payday falls on Saturday, Sunday, Monday, or Tuesday the deposit is due by the following Friday.

One Day Rule: Employers who accumulate \$100,000 or more of employment taxes within a deposit period must make that deposit by the close of the next business day.

De Minimis Rule: When the total amount of accumulated employment taxes on Form 941 for the calendar quarter is less than \$2,500, the employer is permitted to remit the taxes with the quarterly return, Form 941.

Form DE 34-Report of New Employees



No Exceptions:

All employers must report the hiring or rehiring of all employees who work in California to the EDD within 20 days of their start-of-work date, which is the first day of work. This applies to all employers, including those who have domestic help, nonprofit organizations, etc.

Send form to:

Employment Development Department
Document Management Group, MIC96
P.O. Box 997016
West Sacramento, CA 95799-7016
Or fax the forms to the EDD at (916) 319-4400

Penalties:

The EDD may assess a penalty of \$24 for each failure to report a new hire, unless the failure is due to good cause. If the employer and employee conspire to omit filing the required information or issue a false or incomplete report, the EDD may assess a penalty of \$490.

2015 Tax Scams to Watch For

Taxpayers all across the nation are receiving phone calls and emails from individuals claiming to be from the IRS demanding money and personal information. And on top of that, the IRS is constantly receiving faulty tax files from citizens hoping to gain a higher return. While this is nothing new, these interfering communications and faulty tax files are ramping up. The IRS advises taxpayers to review tax scam information in detail at IRS.gov, but here is a summary of some signs to watch for.

- 1) **Phone scams** – Individuals claiming to be with the IRS calling demanding money or information, or threatening jail time, arrests, deportation or other intimidations poise a red flag. Do not give any information to these individuals and report the call to the IRS.
- 2) **Email and web scams** – The IRS will not email you about personal information, so do not respond to emails posing as the IRS. And, don't click on links within these emails, there are scams and may steal your information.
- 3) **Identity theft** – Keep your Social Security card in a safe secure place at all times and be wary of who knows your Social Security number (SSN). The IRS is seeing fraudulent behavior from individuals stealing SSNs.
- 4) **Return preparers** – Carefully research and background/reference check your tax advisor. Oddly enough scammers can act as tax professionals and will inevitably steal your information. Roughly 60 percent of Americans consult with tax advisors.
- 5) **Offshore tax avoidance** – Do not hide money or income offshore, or give into individuals promising a higher tax return by doing so.
- 6) **Refund claims** – Watch for individuals promising inflated refunds especially advertised through flyers, ads, storefronts and even churches. Do not sign blank refund checks.
- 7) **Charities** – Watch out for where you sent your monetary donations. Scammers have been known to set up false charities, using names similar to nationally known organizations.
- 8) **Hiding income** – You are ultimately responsible for what you file, even if your tax preparer is a scammer. Watch for false documents and forms which are intended to reduce what you owe or increase your returns.
- 9) **Tax shelters** – Do not use shelters to avoid paying taxes. If you are offered or presented with something that could help you avoid taxes, contact your reliable tax advisor to check its credibility.
- 10) **False incomes** – Be honest about your income and don't fall prey to scammers telling you to falsify your income.
- 11) **Fuel tax credit** – Most taxpayers do not qualify for this tax credit, so the IRS is prepared to look for and stop individuals falsely claiming this credit. Mostly only farmers and off-highway businesses can qualify.
- 12) **Tax arguments** – You have legal freedom to contest tax liabilities in court, however you can't get away from taxes – it's a part of the law. Do not make frivolous tax arguments that aren't credible or you could face a penalty of \$5,000.

Fresh Vietnamese Spring Rolls



Ingredients:

- About 14 round rice paper wrappers
- About 1 cup fresh mint leaves
- About 7 oz cooked shrimps, peeled and sliced in half lengthwise
- About 14 lettuce leaves
- About 2 cups cooked rice vermicelli, cooled down
- About 3 cups fresh bean sprouts

Sauce:

- 4 tbsp rice vinegar
- 4 tbsp fish sauce
- 1 cup water
- 1 tbsp sugar
- 1 garlic clove, crushed (optional)
- 1 tbsp grated carrots (optional)

Directions:

1. Start by softening the rice papers. I like to use two rice papers per roll, just to make sure they don't break. Fill a large bowl with warm water. Dip two rice papers (or one) very carefully and gradually for about 1 minute, until totally soften. Lay rice papers on a clean cloth.
2. Arrange about 4 beautiful mint leaves at the bottom of the rice paper, then about 4 shrimp halves. Top with a lettuce leaf, a small handful of vermicelli and a small handful of bean sprouts (there's no photo of the bean sprouts part because I wasn't able to find any the day I took the pics!). Add additional mint leaves. That's the moment when you can actually add pretty much anything you have in mind -and in you fridge- (think cilantro, peanuts, chicken, parsley...). Top with a second lettuce leaf. Always keep about 2 inches uncovered on each side.
3. Now the rolling part. Fold uncovered sides inward, then *tightly* roll the rice paper. Repeat with remaining ingredients.
4. **Prepare the sauce.** In a sauce pan, combine rice vinegar, fish sauce, water and sugar. Heat until sugar is dissolved, and then let cool completely. Add garlic and carrots. It keeps about a week in the fridge.
5. Serve your homemade spring rolls with the sauce and enjoy!

Announcements:

Check out the current scholarship awards being offered by SDAPA - Apply now! Deadline is fast approaching.

VOLUNTEER! April 8th at the San Diego Food Bank with SDAPA

Join us at the next Chapter meeting ~ April 16th Topic will be 10 Most Common Payroll Pitfalls. Information and registration can be found on the SDAPA website at <http://www.sandiegochapterapa.org/events>

Don't forget to check out the Jobs board on the SDAPA website. Some great opportunities available!

SDAPA Board Member elections SOON - Please vote!!

SDAPA Board Members:

1. * President – Jean Soltmann, CPP
2. * Vice President – Sharon Ponder, CPP
3. * Secretary – Darlene Bruder, FPC
4. * Treasurer – Christine Ness, CPP, PHR
5. * Program Director – Kathrine Williams, CPP
6. * Membership Director – Kristina Morris, CPP
7. * Philanthropy Chairperson – John Martin
8. * Vendor Relations – Leah Messenger, CPP
9. * Chapter Coordinator – CeCe Bramlett, CPP
10. * Government Liaison – Kaly McKenna, CPP
11. * Education Coordinator – Wendy Rose, CPP
12. * Webmaster – Tammy Britt
13. * Advisor & Past President – Leah Messenger, CPP
14. * Advisor & Past President – Suzanne Luciano, CPP
15. * Auditor – Linda Parise', CPP

Email the Chapter if you or someone you know might be interested in joining the team!

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