



West Valley Chapter

The Scoop

Tax Update

June 2004

Volume 1, Number 1

***IRS encouraging
all employers to
jump onto the
electronic tax
payment
bandwagon***

**Look for new
W-2 and 941
Changes**

IRS Offers Penalty Refund for EFTPS Enrollment

The Internal Revenue Service has announced an incentive to encourage enrollment in and use of the Electronic Federal Tax Payment System (EFTPS). Approximately 1 million employers could qualify for a refund of a previously paid federal tax deposit (FTD) penalty. This offer is available to employers who are NOT mandated to use EFTPS. To qualify for the offer, the employer must:

- use EFTPS for one year (four consecutive quarters),
- make all Form 941 payments on time and
- have previously fully paid the penalty.

It will look back up to four quarters prior to the four-quarter compliance period for a full paid FTD penalty to abate. Penalties paid earlier than one year prior to the four-quarter compliance period are not eligible for the automatic offer.

Using EFTPS eliminates the vast majority of the errors found on paper submissions. These errors on paper coupons result in late or misapplied payments and an FTD penalty.

EFTPS is a free service provided by two bureaus of the U.S. Department of the Treasury, IRS and the Financial Management Service (FMS). EFTPS gives businesses, individuals, and tax professionals the ability to make federal tax payments electronically online, by phone or with batch provider software for professionals.

Taxpayers can enroll in EFTPS by visiting EFTPS.gov or by calling EFTPS Customer Service at 1-800-555-4477 to receive an enrollment form by mail.

W-2 and 941 Changes Coming

- Tax year 2004 is the last year the SSA will accept magnetic tape or cartridge submissions and 2005 will be the last year diskettes will be allowed
- Modifications to the 2004 Form W-2 instructions will include new language describing the use of some of the boxes
- Box 12 on the W-2 will include the Code **W** for reporting Health Savings Account (HSA) information
- Form 941 is set for a major overhaul. The more user friendly form is to be unveiled for the year 2005

Payroll cards
Save employers
Money and time

*Stay up to date
On the latest
Tax changes for
Your state.*



WVC APA
PO Box 11033
Glendale, AZ 85308

Phone:
(602) 368-2334

Fax:
(602) 368-3393

E-mail:
cmjordan@bechtel.com

Are Payroll Cards for you?



About 56 million Americans don't have a bank account, and just 55 percent of the American workers are enrolled in direct deposit. These statistics indicate that the two main forms of paychecks—direct deposit and printed checks—leave room for yet another paycheck solution

Benefits to employers: **1.** Payroll cards are up to 75% cheaper to issue than checks. **2.** The employer workload is lightened. Reconciliation is simplified. **3.** There is less risk of theft when employees can't lose their checks. **4.** A payroll card program gives employees more options and is therefore a useful employee-retention benefit.

Benefits to employees: **1.** Unbanked employees can avoid check-cashing fees. **2.** Banked employees can avoid, or reduce, banking fees. **3.** The cards can be used at ATM machines to withdraw cash and at stores for purchases. **4.** The use of the PIN reduces exposure to fraud that a paper check presents.

News from Arizona

Beginning January 1, 2005 state tax-withholding rates increase for workers earning \$15,000 or more per year. The new rates range from 19% to 37% of an employee's corresponding federal withholding rates.

Maximum weekly unemployment benefit increase goes into effect June 30th. The maximum weekly benefit goes from \$205 to \$240.

News from other states



Washington

Unemployment changes: Beginning with 2nd quarter 2004 tax reports, employers who fail to file timely and completely can be charged a penalty of up to \$250. Exercised stock options are no longer considered wages for unemployment tax purposes.

Maryland

Quarterly tax returns will be due on or before the 15th day of the month following the end of the calendar quarter, effective January 1, 2005.

New York

New York to issue interest assessments to employers due to economic conditions. As a result of having to borrow money from the federal government, employers are once again being assessed interest charges. This year the assessment rate is 0.08% and is calculated on taxable wages paid in the period October 1, 2002 to September 30, 2003

California

Legislation has been introduced that would prohibit a bank from charging a paycheck-cashing fee to a person who does not have an account at the bank if the paycheck was issued by a business client of the bank. According to California DOL, wages must be paid "without discount" to be in compliance.