



2004 YEAR-END TAX NEWSLETTER

Enclosed you will find your 2004 Year-End Newsletter package. This package contains important information and related procedures to ensure a smooth year-end processing of your payroll and tax reports. Your prompt attention to this information is greatly appreciated.

You must:

- ✓ Review the enclosed 2004 W-2 audit reports.
- ✓ Make any necessary changes to your files.
- ✓ Complete a W-2 Hold Authorization Form if applicable to your company before December 29, 2004. (See W-2 Hold Authorization form at www.paydayusa.com.)
- ✓ Return the 1099 Processing Instruction form if applicable to your company.
- ✓ Bonus Payrolls

All year-end bonus payroll runs must be processed **by December 31, 2004**. Notify your CSR of any special processing requirements. Payrolls processed after **December 31, 2004** will incur additional charges.

Unless notified of any changes, Payday USA will begin processing your year-end returns and reports on **December 31, 2003**.

Your Year End Tax package including W-2s will be shipped beginning January 12, 2005.

The due date to have the 2004 W-2 and 1099 forms to employees is **January 31, 2005**.

W-2 processing fees for 2004 are \$40.00 base charge plus \$2.00 per W-2 and applicable delivery charges. The year-end package will be delivered separately from payroll

Any undeliverable employee W-2 and/or 1099 should be kept for at least 4 years.

2004 W-2 AUDIT REPORTS

The following audit reports will help reduce the number of corrections and reprints to your W-2's. **Failure to make corrections timely will result in delays with your end package.**

Invalid SSN Report- This report lists employees who possibly have invalid social security numbers. Secure a correct number for the employee and update the system with correct employee data for a correct W-2.

The following are examples of invalid Social Security numbers. The SSA has never issued the following:

111-11-1111; 333-33-3333; 123-45-6789
000 or 666 as the first three left-most digits
773 or greater as the first three left most digits
00 as the fourth and fifth digits
0000 as the last 4 digits

Home vs SITW Report- This report lists employees who reside in one state but have state withholding taxes in another state. Review each of these employees to make sure the state withholding wages and taxes are correct.

Company & Employee W2 Edit Report- All company tax jurisdictions should have valid account numbers. Please forward any missing tax identification numbers to the Tax department. The identification numbers that are "applied for" will create tax-filing issues that will result in penalties and interests.

Review employee names and addresses for completeness and accuracy.

Other considerations for correct employee W-2's.

Box 13 - If your employees are participating in a deferred compensation plan through payroll deduction, this box will be marked when the W-2's are printed. If an employee participates in a company sponsored retirement plan outside the payroll system, then the employee data must be updated in the payroll system to produce the correct W-2. Contact your CSR for assistance in updating the employee data.

Box 14 – Report the lease value of a company car if applicable. All other items are optional and are for use by the employer. Contact your CSR for assistance with putting earnings/deductions in this box.



These are additional items that may need to be reported to PAYDAY-USA. If these apply to your company, contact your CSR.

Other Compensation	Taxable Fringe Benefits
Employee Business Expense	Car Allowances
Group Term Life Insurance	Dependent Care Benefits
Third Party Sick Pay	Personal Use Auto
Other Fringe Benefits	Moving Expenses
Health Insurance Paid for > 2% Shareholders of S Corporations	Salary Reduction Contributions to a Savings Incentive Match Plan (SIMPLE)
Employer Contributions to Medical Savings Accounts	Employer Payments under Adoption Assistance Plan

1099 Employees

You are responsible for notifying us of any 1099's, you require Payday to process. 1099's for certain types of employees will not be automatically generated by our system. (See the 1099 Processing Instruction form located at www.paydayusa.com.)

Please note that only taxable wages print on the W-2 form. When employees match check stubs to the W-2, they must consider pre-tax benefits and wage bases in arriving at the amounts on the W-2.



Please review the Earnings Listing for W2 and the Deduction listing for W2 reports to ensure that they are coded to appear in the correct W-2 box. The items with (*) will automatically appear in the appropriate box.

Dependent Care Benefits	<u>W-2 Box 10</u>
Non-Qualified Compensation	<u>W-2 Box 11</u>
Tangible Fringe Benefits	<u>W-2 Box 12</u>

W-2 BOX 12 CODES

12A	Uncollected Social Security on tips
12B	Uncollected Medicare on tips
12C*	Group life insurance over \$50,000
12D*	401(K) contributions (Limit 12,000)
12E	403(B) contributions
12F	408(K) (6) contributions
12G	457 contributions
12H	501(C) (18) (D) contributions
12J	Sick pay not taxable
12K	Tax on excess golden parachute payments
12L	Nontaxable Expense Reimbursements
12M	Uncollected Social Security on Group Term Life
12N	Uncollected Medicare on Group Term Life
12P	Moving Expense Reimbursement (Excludable)
12R	Employer contributions to MSA
12S	Salary Reduction for "Simple" Plan
12T	Adoption Benefits
12V	Non-statutory Stock Options
12W	Health Savings Accounts

W-2 BOX 14 CODES

Reporting lease value of a company car all other is for employer use. You may code a maximum of 3 earnings and or deductions to appear in this box.



W-2 Processing & Adjustments Forms

Additional forms or copies of these forms can be obtained at www.paydayusa.com or by contacting your CSR:

- Hold Authorization for 2004 W-2's.
- Reprinting of W-2s
- Year-end adjustment processing
- 1099 processing instructions
- Special Delivery Instructions for W-2s

Complete and fax the attached forms (where applicable) to (770) 395-6617.

Please note that all requests for delayed processing of W-2's, reprinting of W-2's, year-end adjustments, and 1099 processing must be received in writing.



HOLD AUTHORIZATION FOR 2005 W-2'S

Company Number _____ Company Name _____

Please check the appropriate box:

- Do not process our W-2's until _____ as we will have adjustments. We understand that any tax liabilities incurred due to adjustment runs for 2004 processed after December 31, 2004, will be subject to penalty imposed by the taxing authorities. **Payday-USA is not responsible for these penalties.**

Reason for holding W-2 processing:

Authorized Signature _____ Date _____

The W-2s will be sent to the same delivery address as your payroll, please notify us of special delivery instructions.

Your year end package including W-2's will be shipped beginning January 24, 2005.



REPRINT OF W-2'S

Company # _____ Company Name _____

Date _____ Contact _____

W-2's Requiring Reprint

Employee #

Employee Name

I understand that the reprint of the above W-2's will be billed to our company for **\$25.00** per W-2 plus delivery charges. Reprinted W-2's will be stamped with the words "REISSUED STATEMENT" and the IRS does not require the reprint to be on the IRS official Form W-2.

All reprints will be sent to the employer for distribution to the employee. Please Check one of the following delivery methods:

___ Mail ___ Courier ___ FedEx

Authorized Signature _____ Date _____

Note: Use this form for reprints of the original W-2's only. If a reprint is required due to an adjustment payroll or change in social security number, complete the Year End Adjustment Processing Authorization form and return it to your CSR immediately via fax (770) 395-6617.

PDI Use Only:

Reprint Date: _____ Delivery Date: _____

Billing Date: _____ Billing Amount: _____



YEAR END ADJUSTMENT PROCESSING AUTHORIZATION

Company # _____ Contact _____

Date _____ Check Date _____

- Process the above referenced payroll. We agree to an additional processing charge of \$150 plus \$2.00 per W-2 for this payroll run and agree to have PAYDAY-USA impound our account for such fee.
- If necessary, I authorize PAYDAY-USA to amend all returns affected by this backdated run at \$150 per return per quarter.
- Do not amend returns. Our company takes full responsibility for filing the corrected forms with all taxing agencies. I will forward copies of the amended returns to PayDay-USA.

As a result of the above adjustment payroll, the following W-2's need to be corrected:

<u>Employee #</u>	<u>Employee Name</u>
_____	_____
_____	_____
_____	_____
_____	_____

Brief description of the reason for the adjustment:

I understand that due to the late processing of our payroll, PAYDAY-USA does not under any circumstance assume responsibility for late payment penalties or interest assessed by any taxing authority or third party vendor, nor is it obligated to make payment(s) for your company. I further understand that PAYDAY-USA will not make any payment(s) to any taxing authorities or to any third party vendors until it has received sufficient funds to make such payment(s).

Authorized Signature _____ Date _____

Note: The above payroll will not be processed until PayDay receives the completed and signed form, please return this form to us immediately via fax (770) 395-6617.



Company: _____

W-2 Delivery Instructions

The 2005 W-2 forms will be delivered to the address where you receive your payrolls. Please indicate below if you wish to have them sent to another address:

Company Name: _____

Address: _____

Telephone: _____

Signature: _____

Date: _____

This form must be signed by the payroll contact or a corporate officer.



1099 PROCESSING INSTRUCTIONS

If you require 1099 processing, please indicate your requirements below:

Please check one of the following statements:

_____ The 1099 data has already been processed in the payroll system.

_____ The information needed to create the 1099 forms is attached please update the system and print the 1099 forms.

Type of 1099 Form Required (please check all that apply)

_____ Rent

_____ Miscellaneous

_____ Interest

_____ Pension

The 1099 forms will be shipped beginning January 24, 2005.

Signature _____ Date _____



IMPORTANT DATES

Year End

December 29, 2004	W-2 Hold Authorization Form due.
December 31, 2004	All payroll and bonus runs must be processed unless you have submitted the Hold Authorization form.
January 14, 2005	1099 Processing Instruction form due.
January 14, 2005	Third-party sick pay information and employers subject to TEFRA information due.
January 31, 2005	Employee W-2 and 1099 forms due to employees.

Your Year End Tax Package including W-2s will be shipped beginning January 12, 2005.

Payday USA submits all **Federal** employer copies to the Social Security Administration on your behalf. This includes clients who are not utilizing our tax filing service.