

AMERICAN PAYROLL ASSOCIATION OF ACADIANA LAFAYETTE, LA www.apaacadiana.net



An autonomous and independent chapter of the American Payroll Association

REMINDER: Federal Minimum Wage Change 7/24/09

The Fair Minimum Wage Act of 2007 increases the federal minimum wage in three stages. The third increase—to \$7.25 an hour from the current \$6.55 an hour—takes effect July 24, 2009.

Note: When the minimum wage rises to \$7.25, the tip credit will rise to \$5.12 (\$7.25—\$2.13). The minimum cash wage for tipped employees remains unchanged.

State minimum wage rates: Many states are affected by the federal increase because their minimum wage is either tied to changes in the federal rate or lower than the federal rate.

State rates higher than the federal rate: Thirteen states are not affected by the third increase in the federal minimum wage because their minimum wage rates will exceed \$7.25 an hour on July 24, 2009: California - \$8.00; Colorado - \$7.28; Connecticut-\$8.00; (\$8.25, effective January 1, 2010); Illinois-\$8.00 (\$8.25, effective July 1, 2010); Massachusetts-\$8.00; Michigan-\$7.40; Nevada 0 \$7.55 (\$6.66 if employer provides health benefits); New Mexico-\$7.50; Ohio-\$7.30 (\$7.25 for small employers); Oregon - \$8.40; Rhode Island-\$7.40; Vermont - \$8.06; and Washington-\$8.55.

In the District of Columbia, the minimum wage will increase to \$8.25 an hour on July 24, 2009, since the law provides that the rate if \$7.00 or the federal minimum wage plus \$1.00, whichever amount is greater.

State rates the same as the federal rate: Twenty-six states will have the same minimum wage rate as the federal rate on July 24, 2009: Alaska (\$7.75 an hour, effective January 1, 2010), Arizona, Delaware, Hawaii, Idaho, Indiana, Iowa, Kentucky, Maine (\$7.50 an hour, effective October 1, 2009), Maryland, Missouri, Montana \$4.00 for small employers), Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Oklahoma, Pennsylvania, south Dakota, Texas, Utah, Virginia, West Virginia, and Wisconsin. These states follow the federal rate or provide for the same increase on the same date.

State rates lower than the federal rate: Six states and Puerto Rico will have lower minimum wage rates than the federal rate on July 24, 2009: Arkansas-\$6.25; Florida-\$7.21; Georgia-\$5.15; Kansas -\$2.65 (\$7.25, effective January 1, 2010); Minnesota-\$6.13 (large employers), \$5.25 (small employers), Puerto Rico-\$5.08; and Wyoming-\$5.15.

When state law requirements are less favorable to an employee than the requirements in the federal Fair Labor Standards Act (FLSA), they apply only to those employees who are not covered by the FLSA. Employees who are covered by the FLSA must be paid at the higher federal rate. However, employees not covered by the FLSA may not be covered by the state minimum wage law either because certain employers or employees may be exempt.

No state minimum wage law: Five states do not have minimum wage laws: Alabama, Louisiana, Mississippi, South Carolina, and Tennessee. Therefore, all employees in these states covered by the FLSA who are not otherwise exempt must be paid at least the applicable federal minimum wage rates.
(Payroll Currently, volume 17, issue #14)

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Report Says SSA's Reconciliation Process With the IRS Could Be Improved

The Social Security Administration's Office of the Inspector General has issued a report on SSA's Wage Reconciliation Process With the IRS (Audit Report A-03-08-18069, June 2009; www.ssa.gov/oig/ADOBEPDF/A-03-18069). The report looks at the effectiveness of the SSA-IRS reconciliation process in correcting SSA's earnings records and concludes that "the effectiveness of SSA's reconciliation process in correcting SSA's earnings records and concludes that "the effectiveness of SSA's reconciliation process could be improved."

Background: SSA seeks to ensure that reports of social security and Medicare (FICA) wages are received timely and are accurately recorded. To help accomplish this, SSA and IRS records are compared annually in a process known as the Annual Wage Reporting (AWR) reconciliation.

Employers are required to report quarterly to the IRS the total wages paid on Form 941, *Employer's Quarterly Federal Tax Return*. Employers are also required to report wages annually to the SSA via Forms W-2, *Wage and Tax Statement*, and W-3, *Transmittal of Wage and Tax Statements*.

SSA's system identifies those employers whose (1) totals match, (2) IRS totals exceed SSA totals, and (3) SSA totals exceed IRS totals. If the FICA wages reported to both agencies agree, no action is necessary. If the wages differ, both agencies must resolve the differences.

SSA reconciliation cases: When more wages are reported to the IRS than to the SSA, employees' wages may not be credited correctly to SSA's records. SSA examines these cases and attempts to resolve the differences without contacting the employer. When an effort to resolve a discrepancy is unsuccessful or a resolution is not possible without employer assistance, the reconciliation system generates notices and questionnaires that are mailed to the employer requesting additional information that could help resolve the discrepancy.

Tax year 2005 results: OIG determined that for tax year 2005, SSA could not resolve the reconciliation difference for 248,000 (49%) of the 508,000 employers that reported less wages to SSA than to the IRS. This occurred mainly because either SSA's reconciliation notices did not reach the intended employers or employers did not respond to them.

The 248,000 employers underreported to SSA approximately \$31 billion in FICA wages and tips and \$38 billion in Medicare wages, which could affect their employees' rights to future benefits or the benefit amount.

- About 155,000 of the 248,000 employers did not report any wages to SSA but had reported wages to the IRS. OIG estimates that about 464,000 employees could be impacted by the missing wages.
- About 93,000 employers reported wages to both agencies but reported less wages to SSA. OIG determined that 2,081 employers had underreported 59% of the FICA wages. OIG estimates that the underreporting could potentially impact 951,000 employees who would not earn four quarters of coverage for tax year 2005.

Report Says SSA's Reconciliation Process With the IRS Could Be Improved (Cont'd)

Employer Identification File: SSA uses the address information provided by the IRS when mailing reconciliation notices to employers. The address information is recorded in SSA's Employer Identification File (EIF), and the EIF serves as the main source for obtaining address information for employers. OIG found that employers' current addresses are not always included in the EIF. This may explain why SSA did not receive responses from the employers whose notices were returned as undeliverable. It may also explain why many of the employers did not respond to the reconciliation notices. Moreover, when there is no response from employers within 120 days of the initial notice, the reconciliation system generates a second notice and sends it to the same address that appeared on the EIF although the initial notices were returned because of invalid addresses.

Internal wage adjustments: OIG found that SSA did not always inform employers about internal adjustments it made to the employers' wages, which led to the imbalance of social security and Medicare wages reported to SSA and the IRS. SSA added, deleted, or changed the FICA wage amounts on Forms W-2 for about 32,000 employers, which contributed to about 17,000 employers reporting less in FICA wages to the SSA and about 15,000 employers reporting less to the IRS. An affected employer may not be able to resolve a reconciliation imbalance if SSA does not make the employer aware of internal adjustments. This may help to explain the fact that, of the employers that did not resolve their reconciliation discrepancies with SSA, a majority either did not respond to SSA's reconciliation notices or did respond, but provided wage information that did not resolve the discrepancy.

OIG recommendations:

- 1. Employer addresses:** OIG recommended that SSA continue to work with the IRS to obtain current address information for employers. It recommended that SSA consider capturing the addresses of employers that submit paper wage reports on Form W-3. And it recommended that SSA compare the employer address that appears on Form W-3 to the address that appears on the SSA's EIF for the employer and, if they are not the same, use the Form W-3 address to mail the second notice to employers.
- 2. Electronic reconciliation notices:** OIG recommended that SSA evaluate the feasibility of notifying employers electronically about reconciliation discrepancies to help minimize the number of reconciliation notices that are returned as undeliverable and the number of non-responses.
- 3. More communication with employers:** OIG recommended that SSA establish a process to inform employers about internal wage adjustments that will affect an employer's reconciliation balance.

Chapter News

Study Group

Our Chapter Study Group began on May 14, 2009. We have six people attending, Vanessa Boudreaux, Margaret Adams, Earline Rogers, Velma Gibson, Barbara Hebert and Lisa Duncan.

They have completed chapters 1 through 4. These ladies are working very hard and doing wonderfully! Sitting for the FPC and CPP exams take a lot of studying, determination and encouragement. All have scheduled their exams, so please send these ladies your encouragement and best wishes!

Next Meeting

Our next meeting will be held on Thursday, August 20, 2009. Time and location to be announced by email and website. Members present will be eligible for door prizes.

Our main topic will be National Payroll Week.

NPW Committee Hard At Work

The NPW committee is hard at working planning our NPW celebration and activities.

This year's committee consists of: Wendy David (Chairman), Ellen Chauvin, Francine Duhon, Jill Adams, Margaret Adams, Barbara Jackson, Nicole Palmintier, and Lisa Hogan.

On August 18, 2009, The City Parish Government will present a proclamation for National Payroll Week to some of our committee members at the City Parish Council meeting.

Barbara Jackson has volunteered for Money Matters National Education Day. She will present a special lesson developed by APA and the National Council on Economic Education to seniors at Clinton High School in Clinton, La.

Lisa Hogan will be contacting a local high school to provide literature on "My First Paycheck" for their seniors.

Ellen Chauvin and Margaret Adams have put together a list of payroll professionals to deliver our goody bags of APA, APAA, and payroll literature in our especially designed chapter promotional tote bag.

Our committee has selected Thursday, September 10, 2009 for our celebration to be held at Gator Cove. Invitations will be sent to members via the internet and to prospective payroll professionals by mail.

Francine Duhon has made arrangements for Gator Cove to do the catering and Nicole Palmintier will make some petit fours.

Jill Adams will help promote the event in local newspapers and radio stations.

Get ready for a fantastic night of networking with other payroll professionals!

Chapter News

Outstanding APAA Member

Ellen Chauvin, our President, is this month's outstanding member and has written a little about herself for us to know her better.

"I was born and raised in Jackson, MS. I am a 1979 graduate of the University of Mississippi, with a Bachelor's Degree in Business Administration. I married John Chauvin in 1996 and have 4 beautiful grandchildren (Ages 9 to 1 year). I have been working in accounting since 1982, and always had a very small payroll. I had never heard of payroll certification until Susan deLaunay invited me to an APAA meeting. I became interested in that, since I considered payroll my "weakest link", and I studied for and attained my CPP certification in 2005. I have been employed with Stuller Management Services since 2001. I have been an active member of APA of Acadiana since 2004. I have served as Secretary, Vice President and am currently serving my second term as President."



"John & I are members of Highland Baptist church in New Iberia, where we are involved in the ABRO (American Belarusian Relief Organization) Ministry. Our church brings children from the country of Belarus for 6 weeks each summer - giving their bodies a much needed respite from the effects of radiation. The country of Belarus received most of the radiation from the Chernobyl accident, and many of the effects are still felt by the people there today. John and I host two children for two weeks each summer - Pascha and Nastia. It is quite an experience!!"

"My hobbies are reading, gardening (except during the heat of July & August!), journaling and spending time with my sweet hubby. Oh - I love cats!!"

Thanks Ellen, and thanks for being such an inspiration to us all!

WIN A FREE PAYCHECK

The American Payroll Association is sponsoring "The Getting Paid In America Survey". Voice your opinion on payroll related issues at www.nationalpayrollweek.com/npw_survey/survey.cfm, and you will be entered to win a free paycheck and a trip to Las Vegas!

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Annual Membership Fees:

\$35.00 for APA National Members

\$45.00 for Non-APA National Members

\$ 5.00 Enrollment Fee (New members)

For membership information contact:

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You can obtain information on becoming a national member of the American Payroll Association at www.americanpayroll.org/members or by contacting one of our officers.

