



Metro Phoenix Chapter
American Payroll Association

Pay

NEWSLETTER

Vol. 1, No 4 July 2006

President's Corner

Judie Aranyos

Greetings from the Metro Phoenix APA and the President's desk. As this newsletter goes to press I am reflecting on my year as President of the Metro Phoenix Chapter. Our membership has grown over the year and we now have almost 65 current members and our meeting attendance has been pretty stable this year. We have launched our newsletter, participated in several National APA Contests and continue to work to make the Chapter bigger and better.

With much regret I have to report that our Vice-President Cheryl Hookey will not be assuming the office of President in September. Due to work and personal commitments Cheryl has submitted her resignation. Cheryl will continue to be the Chairperson of the 2007 State Conference Committee. (See the 2007 State Conference information on Page 3 of this newsletter for their scheduled first meeting.)

Please mark your calendars for August 15, 2006; we will be holding our elections for Vice-President at that time. At present we have two nominations for Vice-President – Cari Bellairs and Jennifer Middelkamp

I hope each of you have a very fun-filled and safe summer!

Government Updates:

IRS Issues Final Regulations on Flat Rate Supplemental Wage Withholding

On Tuesday, the IRS issued final regulations on determining the method and amount of income tax withholding on supplemental wages, including the new, higher flat rate applied to supplemental wages exceeding \$1 million in a calendar year [71 F.R. 42049, 7-25-06; www.payroll.org/i4a/pages/index.cfm?pageid=139]. The regulations will apply to payments made on or after January 1, 2007. Here are the highlights of the new rules; a more detailed explanation will appear in the August 4 issue of PAYROLL CURRENTLY, along with information on how APA's lobbying efforts helped shape the final version of the rules.

Regular wages and supplemental wages

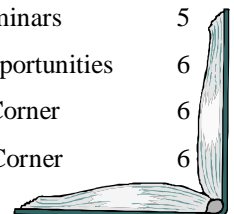
The final regulations, like the proposed regulations issued last year, Provide that supplemental wages include any wages paid by an employer that are not regular wages. Regular wages are defined as amounts paid by an employer for a payroll period either at a regular hourly rate or in a predetermined fixed amount. Wages that vary from payroll period to payroll period based on factors other than the amount of time worked are supplemental wages. In response to comments, however, the final regulations eliminate the proposed rule that a payment can qualify as supplemental wages only if regular wages have been paid to the employee. The regulations list several examples of supplemental wage payments, including:

- reported tips;
- overtime pay;
- bonuses;
- back pay;
- commissions;
- wages paid under reimbursement or other expense allowance arrangements;
- Nonqualified deferred compensation;
- non-cash fringe benefits;
- sick pay paid by a third party as an agent of the employer;
- amounts includible in gross income under IRC §409A;
- income recognized on the exercise of a nonstatutory stock option;
- imputed income for health coverage for a non-dependent; and
- income recognized on the lapse of a restriction on restricted property transferred from an employer to an employee.

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Final Regulations (cont.)

In response to comments, the final regulations permit employers to treat tips and/or overtime pay as regular wages. However, the final regulations do not allow an employer to treat commissions, third-party sick pay paid by agents of the employer, or taxable fringe benefits as anything other than supplemental wages.

Withholding on supplemental wages of \$1 million or less in a calendar year

The final regulations continue to provide that, if an employee has not received cumulatively more than \$1 million in supplemental wages during the calendar year, there are two withholding methods available to an employer with respect to a payment of supplemental wages.

Aggregate method- Under this method, the employer calculates the amount of withholding due by aggregating the amount of supplemental wages with the regular wages paid for the current payroll period or for the most recent payroll period of the year of payment, and treating the aggregate as if it were a single wage payment for the regular payroll period. If the supplemental wages are paid concurrently with wages for the current payroll period, then they must be aggregated with the wages paid for the current payroll period.

Optional flat rate method Under this method, the employer disregards the amount of regular wages paid to an employee as well as the withholding allowances claimed by the employee on his/her Form W-4 (Employee's Withholding Allowance Certificate), and uses a flat percentage rate in calculating the amount of withholding. This method is available only if two conditions are met:

- The employer has withheld income tax from regular wages paid to the employee during the same year as the payment of supplemental wages or during the preceding calendar year.
- The supplemental wages are either (a) not paid concurrently with regular wages or (b) separately stated on the payroll records of the employer. Under the final regulations, the rate applicable to optional flat rate

withholding is 25% for 2006 and will remain at 25% until income tax rates change. **NOTE:** If the conditions for using the optional flat rate method are met, the decision as to which method to use is discretionary with the employer.

If the conditions are not met, then the employer must use the aggregate method.

Mandatory withholding on supplemental wages over \$1 million in a calendar year

The regulations provide that, if a supplemental wage payment, when taken together with all other supplemental wage payments paid by an employer to an employee during the calendar year, exceeds \$1 million, then the employer must withhold federal income tax from the supplemental wages in excess of \$1 million at a flat rate equal to the maximum rate of tax in effect that year. Thus, in

2006, the mandatory flat rate for supplemental wages in excess of \$1 million is 35%. The mandatory flat rate will remain at 35% until income tax rates change.

In applying this rate, the employer must ignore the employee's Form W-4, even where the employee claims to be exempt from withholding. The final regulations include specific guidance for determining whether the \$1 million threshold has been crossed:

- Non-cash fringe benefits. If non-cash fringe benefit amounts are not wages subject to income tax withholding, then they are not included in either regular or supplemental wages.
- Disqualifying dispositions of stock. Income from disqualifying dispositions of shares of stock acquired pursuant to the exercise of statutory stock options is not included in supplemental wages.
- Form W-2, Box 1. Employers can treat amounts reported in Box 1 (wages, tips, and other compensation) of Form W-2 (Wage and Tax Statement) as supplemental wages, even though not all items reportable in that box are subject to income tax withholding.
- The payment that takes the total over \$1 million. If a supplemental wage payment results in the total supplemental wage payments to the employee from the employer during the

calendar year exceeding \$1 million, then the amount of that payment in excess of \$1 million is subject to mandatory flat rate withholding. However, the final regulations permit the employer to treat the entire amount of the payment that results in the employee receiving total supplemental wages of more than \$1 million as subject to mandatory flat rate withholding.

- Allocating salary deferral amounts. Pretax deductions, including salary reduction deferrals, are not included when determining the total of an employee's supplemental wages. This does not mean, however, that pretax deferrals may not be deducted from supplemental wage payments, if that is what the employer's plan document requires. In determining the amount of supplemental wages paid, salary deferral amounts are allocated to the gross regular wage payments or to the gross supplemental wage payments from which they are actually deducted.

Payments by agents of the employer

The final regulations, like the proposed regulations, require that payments made by agents of the employer (i.e., third parties) to an employee on the employer's behalf must be considered in determining the applicability of mandatory flat rate withholding. However, the final regulations provide a de minimis exception where an agent makes total wage payments, including regular and supplemental wages, of less than \$100,000 to an individual in any calendar year.

A HOT YEAR-END PAYROLL TOPIC

Because the new rules take effect on January 1, 2007, APAs Preparing for Year-End, and 2007 seminar, held in more than 100 cities across the U.S. in October and November, will address them in depth and make sure you are prepared to comply. For complete course outline and registration information, go to www.americanpayroll.org/yearend.html.



Mark your calendar:
386 days until the
2007 State Conference
August 23 – 24, 2007

The 2007 State Conference Committee Needs You!

The 2007 State Conference Committee will be holding its first meeting on August 15, 2006 after the Metro Phoenix Chapter monthly meeting.

It takes many people to make the State Conference successful. Take a moment to think about what it is you would like to do or have been wanting to do, but never did. Volunteer now for one of the committees.

If you are interested please contact Cheryl Hookey at:
Hookey.Cheryl@chandler.k12.az.us

Vendor/Sponsor Committee

Responsible for developing pricing for vendor booths, creating vendor letter and developing participation form, compiling vendor mailing list and sending letters. Work with the Facilities Committee on the vendor hall table arrangements for each participating vendor along with the power needs for the vendors. The Vendor Committee is the liaison for the vendors during the conference.

Attendee /Registration Committee

Responsible for compiling a mailing list/e-mail list, create a Certificate of Participation and RCH credit letter. Work with the workshop committee to ensure that workshops are not over room capacity. Print the attendee's agendas, certificates, and letters.

Facility Committee

Responsible for reviewing the facility contract and having the Chairperson sign on behalf of the committee. Work with the Vendor, Workshop, & Speaker committees to ensure audio/visual and power needs are met. Review and select meals and break refreshments. Periodically check in with hotel/conference center facilitator to review plans.

Binder Committee

Responsible for obtaining the best price for binders, shopping for the binders and dividers. Work with other committees to obtain copies for the binders in a timely manner. Oversees the copying of the binder materials and arranges a meeting to put together the binders.

Workshop Committee

Responsible for creating workshops/general sessions, selecting topics to present to the planning committee, and overseeing planning committee selection of topics. Write brief descriptions of each workshop; work with speaker committee to engage speakers for each workshop and general session. Lock in the date and time of the workshop as per speaker's selection. Work with the speaker committee and the registration committee to provide a description of each workshop for the registration form.

Speaker Committee

Responsible for soliciting suggestions for the Keynote speaker that will be of interest to the attendees. Work with the workshop committee to secure speakers for the workshops & general session topics. Create certificates and thank you letters for each speaker. Work with the workshop committee to provide the registration committee the speaker's name, date and time and description of each workshop for the registration form.



CPP/FPC

Fall Study Group

Due to circumstances beyond our control there will be no Fall CPP/FPC Study Group. The Chapter is working on finding a location and facilitator to start the classes in February for the Spring Testing Window. Please check the web page periodically for updates on the new time and place.

Screen Saver Calendar

From ePay Xpress Issue 7, Volume 7. <http://www.apawebcasts.com/screensavers>

This popular screen saver recreates the compliance calendar and hotlinks to APA's Education and Compliance Calendar in one keystroke it's easy to install – just click on your favorite screen saver – they are “fun” and “elegant” option for each month (the information is the same on both calendars) and the APA screen saver will install itself automatically. Then to visit the Taxation Compliance Calendar, just hit the calendar button while the screen saver is active. It's easy, fun, and will keep you in compliance.

Note: this screen saver is compatible with all Windows systems. It is NOT compatible with Macintosh or UNIX systems.

Community Outreach Program

The Metro Phoenix Chapter of the APA is starting a Community Outreach Program. A Committee Chairperson is needed and suggestions are requested for what area of the community the Chapter should adopt for this program.

Local Payroll Update

For those that missed our May and June meetings the following is a brief overview of the topic covered.

May – Doug Williamson from the Arizona Department of Revenue presented information about A.R.S § 43-401 which provides a voluntary election by employers to not withhold Arizona Taxes from employee compensation paid during the month of December. For 2006, the election must be made by July 1, 2006. Doug spoke on the changes that would be happening in 2007 with e-filing of employment taxes.

June – Mary Murphy from the IRS Taxpayers Advocate Service presented information about the free service that helps taxpayers resolve problems with the IRS and how they recommend changes that will prevent the problems.

July – There was no meeting in July.

Upcoming Meetings:

Aug 15, 2006 - Meeting

Topic: Change Management

Speaker: Dayna J. Reum CPP, FPC – PETSMAART

Payroll is constantly changing either through government agency updates or through company departmental changes. Change has always been a difficult process for most people. This class will be an action packed hour on how to deal with change and identify change issues. Be prepared to get up and get moving!

Fun Facts

- June 21st the first day of summer has more hours of daylight than any other day during the year.
- During the summer the metal on the Eiffel Tower expands causing the tower to add six inches to the total height of the tower.
- Number of places nationwide with Patriot in their name one, Patriot, Indiana, population 202.
- Last year the dollar volume of trade between the United States and United Kingdom was \$74 billion, our adversary in 1776 and our sixth-leading trading partner today.
- The five Olympic rings represent the five major regions of the world – Africa, the Americas, Asia, Europe and Oceania, and every national flag in the world includes one of the five colors, which are from left to right blue, yellow, black, green and red.
- The first Olympics covered by U.S. television were the 1960 Summer Games in Rome by CBS.
- The percentage of the Fortune 1000 managed by female CEOs, 1 percent. There are only 11 women CEOs.





Elections for Vice-President will be held at the August 15th Chapter Meeting

At the August 15th Chapter Meeting we will be electing the next Vice-President of the Chapter. We have two nominations for the position: Cari Bellairs and Jennifer Middelkamp

At the Chapter meeting if you would like to nominate someone or even yourself, please speak with Judie Aranyos. Please be advised that one of the requirements to be on the Chapter Board is that you are a member of the National APA.



National Payroll Week

September 4-8, 2006

National Payroll Week celebrates the hard work by American's 156 million wage earners and the payroll professionals who pay them. Together, through the payroll withholding system, they contribute, collect, report and deposit approximately \$1.4 trillion, or 71%, of the annual revenue of the U.S. Treasury. Below are programs listed under the National Payroll Link on the National APA web page.

Show Your NPW Support! Do you celebrate National Payroll Week in your company? If so, make sure your company receives the recognition of deserves!

Could You Use an Extra Paycheck?

Don't miss your chance at NPW's "Getting Paid in America" online survey **grand prize!** [Take the survey](#) and be automatically entered to win a free paycheck and a trip to Las Vegas!

National Education Day – There is still time to register to be a volunteer to teach "Money Matters" National Education Day on September 8, 2006. This structured lesson, designed for students new to the workforce or about to enter the workforce, teaches them the elements of a paycheck, the amount of taxes they can expect to have withheld, and how those taxes are calculated. Each volunteer will receive a copy of this lesson along with special workout problems so each student can actually calculate their paycheck!

Audio Seminar Series

Not able to leave the office for training? The APA Audio Training Seminar Series provides the very latest on payroll, human resources, and benefits topics. The teleconferences are 90-minutes and are also excellent resources to prepare for certification exams and to earn continuing education credit.

All programs are at 1:00PM – 2:30 PM ET unless otherwise noted

Date: August 17, 2006
Time: 11:00 AM 12:30 PM
Location: Your office
Event name: Using Payroll Cards

Date: September 14, 2003
Time: 11:00 AM 12:30 PM
Location: Your office
Event name: The Family and Medical Leave

Act From a Payroll Perspective

Date: October 19
Time: 11:00 AM 12:30 PM
Location: Your office
Event name: Documenting Your Payroll Procedures

For more information log on to www.americanpayroll.org

One Day Seminars

Date: August 11, 2006
Location: Hyatt Regency Phoenix
Event name: Garnishment Forum

Date: October 27, 2006
Event name: Preparing for Year-End

CPP/FPC Exams

Fall Test Dates: Sept 16 – Oct 14, 2006
Spring Test Dates: March 31 – Apr 28, 2007 - For both the CPP and FPC certification exams given during the Fall 2006 and Spring 2007 testing windows, exam questions will be answered based on laws and regulations in effect as of January 1, 2006.

Career Opportunities

Whether you're an employer or a potential employee, the Metro Phoenix Job Posting is for you! Anyone can post jobs or review the current listing! Go to www.metrophoenixapa.org and click Payroll Jobs



Members Corner

Help us keep you informed! If you change your employer, e-mail address, or phone number, make sure you send an e-mail to Cheryl Carstensen at ccarst@cox.net. Staying in contact with our members is a priority and we can't do it if the information we have is outdated!

Please e-mail any board member if you have news to share about our members such as, births, weddings, promotions, recognitions, obtaining your CPP or FPC – we are interested and would like to share your good news with the membership.



Birthday Corner

Happy Birthday to our May and June members.

July Gina Bone 14th
Vivian Hill 12th
Michelle Levas 29th

Aug Jon Bonhert 7th
Lynn Geyer 9th
Denise Evans 14th
Kimberly Hundza 14th
Tonja Reid 16th
Debra Ricoo-Moreno 18th
Lisa Seaton 22nd
Mary Talayuptewa 24th
Erin Williams 25th



School starts for many on Monday, August 14, 2006. Keep an eye out for those little ones getting on and off school buses.

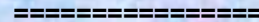


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