

BY THE BOOK

A Publication of Baker, Peterson & Franklin, CPA, LLP

To EFTPS Or Not To EFTPS

Over 3.5 million businesses now use the Electronic Federal Tax Payment System, or EFTPS, instead of the FTD coupon to make federal tax deposits. Some employers are required to make electronic deposits, while others elect to do so. Once enrolled, you must file all federal tax deposits electronically, not just payroll tax.

How does it work?

Using the EFTPS-Direct (debit) method, you will instruct EFTPS to move the funds from your account to the Treasury's account on the date you designate (at least 24 hours in advance). There is also a method called EFTPS-Through a Financial Institution (credit) method—however you should find out if your bank offers this service and the related costs. In either case, your tax due date remains the same, and no government agency has access to your account.

Who is required to use EFTPS?

Companies who make federal tax deposits totaling more than \$200,000 during a previous calendar year (since 1999) for the combined amount of employment tax, excise tax, and corporate income tax are required to file electronically.

Under this requirement, the company is responsible to begin making EFTPS payments even if they do not receive a notice from the Internal Revenue System. The penalty is 10% of the total tax—a minimum of \$20,000 for each year not in compliance.

What are the advantages of electing to use this payment system?

Many employers find this system more convenient and reliable than preparing a check, getting it signed, and making the deposit at the bank. The deposit date can be designated for the future due date, which helps in managing cash flow. Also, according to the IRS, paper coupons have 19 times the error rate of EFTPS.

How do I initiate a payment after I enroll?

There are three methods of initiating a deposit—On Line, Telephone, or PC Software (free software available upon request). These methods are accessible seven days a week, 24 hours a day. Using a specially assigned Personal Identification Number (PIN), you access the system and follow the prompts. A confirmation number is provided as proof of payment.

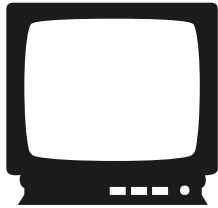
What taxes can be paid electronically?

Once enrolled you will be required to pay all types of federal tax deposits electronically. This includes tax deposits for:

- Form 720 Quarterly Federal Excise Tax Return
- Form 940 Employer's Annual Federal Unemployment Tax (FUTA) Return

Companies who make federal tax deposits totaling more than \$200,000 during a previous calendar year ...are required to file electronically.

continued on next page



- Form 941 Employer's Quarterly Federal Tax Return
- Form 943 Employer's Annual Tax Return for Agricultural Employees
- Form 945 Annual Return of Withheld Federal Income Tax
- Form 990-C Farmer's Cooperative Association Income Tax Return
- Form 990-PF Return of Private Foundation
- Form 990-T Exempt Organization Business Income Tax Return
- Form 1041 Fiduciary Income Tax Return
- Form 1042 Annual Withholding Tax Return for US Sources of Income of Foreign Persons
- Form 1120 US Corporation Income Tax Return
- Form CT-1 Employer's Annual Railroad Retirement Tax Return

How do I enroll?

To enroll or to obtain more information about EFTPS for federal payments, call 1-800-555-4477 or 1-800-945-8400. Upon enrollment a PIN will be assigned to the company, which is used to access the system.

Can I return to coupons later?

If you voluntarily elect to enroll in EFTPS and later decide you want to return to the coupon method, you will need to file the necessary paperwork and receive approval to withdraw.

What about State tax deposits?

The State of California has a similar system available for filing state tax deposits called the Electronic Funds Transfer (EFT) program. Companies are required to enroll if their state disability insurance and personal income tax deposits averaged \$20,000 or more during the prior state fiscal year (July 1 to June 30). If so, the company will be notified by letter that electronic filing is required. To enroll you will need to complete the EFT Authorization Agreement (DE 26) form. You may contact the EFT helpline at (916) 654-9130 or go to www.edd.ca.gov.

Overtime Recap

California overtime guidelines are generally stated to be over eight hours in a single workday, or over forty hours in a single workweek (some exceptions apply). Here is a brief summary:

- Time-and-one-half the employee's regular rate of pay for all hours worked beyond eight in a single "workday"
- Double the employee's regular rate of pay for all hours worked beyond 12 in a single "workday"
- Time-and-one-half the employee's regular rate of pay for the first eight hours worked on the seventh consecutive day worked in a single "workweek"
- Double-time for hours worked beyond eight on the seventh consecutive day worked in a single "Workweek"

Here are a few more overtime guidelines that California employers should be aware of:

Agricultural Labor Exceptions

Employers of agricultural employees have different rules when paying overtime.

Agricultural laborers earn overtime pay after working ten hours per day or on the seventh consecutive day in a workweek, and double-time if over eight hours is worked on the seventh day. The “one day of rest in seven” requirement does not apply. There are several other industries which have exceptions to the general overtime regulations.*

Defining Workday and Workweek

A workday is defined as any consecutive 24-hour period starting at the same time each calendar day. If the employer does not define when the workday begins, it will be treated as 12:01 a.m. to midnight. So under that definition, an employee could work from 3:30 p.m. until midnight, then continue working from midnight to 8:30 a.m. (with 30-minute meal breaks) without getting overtime pay.

A workweek is defined as any consecutive seven-day period starting at the same time each week. Unless the employer defines it otherwise, the usual workweek starts on Sunday and ends on Saturday. So, if an employee works from Thursday to Wednesday, Wednesday would not count as the seventh consecutive day and overtime is not due (unless over eight hours a day is worked).

Vacations, Holidays and Sick Leave

Hours paid for vacations, holidays, and sick leave are not considered when calculating overtime. So if an employee is paid for a holiday on Monday, and then works eight hours a day on Tuesday through Saturday, they would receive 48 hours of straight time pay.

Employment of Minors

It is a misdemeanor to require anyone under the age of 18 to work more than eight hours in any one workday.

Compensatory Time Off

Most private employers are not permitted to offer compensatory time off (CTO) to non-exempt employees in lieu of paying overtime. However there may be an exemption to this for certain employers* and based upon four conditions:

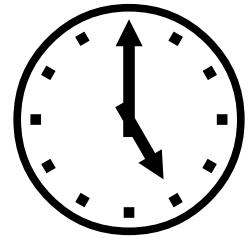
- There is a written agreement entered into between the employer and employee before the performance of the work
- The employee has not accrued more than 240 hours of CTO
- The employee requests, in writing, CTO in lieu of overtime compensation
- The employee is regularly scheduled to work no fewer than 40 hours in a workweek

Meeting or Training During Lunch Break

Employers may offer food during a meeting but this is not a substitute for the required 30-minute meal break. The meeting time is still considered working time for which an employee must be paid and the employer must offer a 30-minute break prior to or after the scheduled meeting.

If the employer fails to provide an employee a meal break as required, the employee is owed one additional hour of pay at the employee’s regular rate.

**For questions or more information contact the California Dept. of Industrial Relations, in Fresno at (559) 248-8401.*



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State Reporting Helps Child Support Collections

New Employees and Rehires

Employers are required to report both new hires and rehired employees to the Employment Development Department within 20 days of the start-of-work date. Use Form DE 34: Report of New Employee(s).

To submit new hire reports online, simply go to www.edd.CA.gov, then to "EDD Home Page" and click on the appropriate line in "Hot Items".

Independent Contractors

Effective January 1, 2001, all California businesses must report to EDD within twenty days of *either* making payments of \$600 to an independent contractor during the calendar year, or entering into a contract for \$600 with an independent contractor to be paid within the calendar year.

An independent contractor is an individual who is not an employee of the business and receives compensation for services; they are also 1099-Misc recipients. Even if you reported this information in 2001, you are required to report the same vendor every year if payments exceed \$600.

The information you will need to collect from the contractor is complete name, social security number, and address. Use Form DE 542 to report to the EDD at:

Employment Development Department
PO Box 997350 MIC 99
Sacramento, CA 95899-7350

The information you provide to EDD will increase child support collections by locating parents who are delinquent in their child support obligations.

Child Support Wage Assignment

It is important for employers to respond to wage assignment orders. Even if the employee has terminated, the employer must reply within 30 days. The law requires that employers provide in writing the employee's last known address and new employer's name and address, if known.

Under the new state law AB 1426, effective January 1, 2002, when an employer fails to comply with a wage assignment order, local child support agencies and/or support obligees may obtain a court order requiring the employer to make child support payments through electronic funds transfer.

Furthermore, employers who willfully fail to comply with wage assignment orders could be faced with civil penalties of up to 50 percent of the support amount.

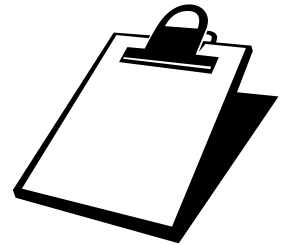
If you need help with more information, call the State Department of Child Support Services at (866) 249-0773.

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Did You Know?

- A proposal to place new taxes on employers and employees to fund Paid Family Leave passed the California Assembly Insurance Committee in June. If SB 1661 becomes law it will require every employer, regardless of size, to provide 12-week paid family leave beginning in 2004. To keep informed about this and other bills before the California legislature go to the web site at the California Chamber of Commerce, www.calchamber.com.
- The minimum salary level each month for most exempt executive, administrative, and professional employees is no less than two times the state minimum wage for full-time employment—which is \$2,340 per month as of January 1, 2002.
- Gift certificates to employees for items convertible to cash and department store and general merchandise gift certificates are fully taxable. However, gift certificates to employees for a designated item at a designated store and which cannot be converted to cash are not taxable. Gifts of nominal value are not taxable.
- Business Mileage: The IRS standard mileage rate for 2002 is 36.5 cents.



Confidentiality of Social Security Numbers

There is an increasing awareness that false identities are established with stolen or falsified social security numbers. With this in mind, the Social Security Administration has announced they will send "Social Security Statements" with only the last four digits of the SSNs.

Effective July 1, 2002, California law SB 168 requires that any person or entity or state or local agency may not do any of the following (except as specified by law):

- SSNs cannot be publicly posted or displayed—such as on timecards that others can see
- SSNs cannot be printed on materials mailed to individuals such as medical insurance ID cards, unless federal or state law requires it
- Web sites and Web pages cannot require individuals to transmit their SSNs unless they are PIN protected or encrypted

Employers need to review and revise any documents or procedures which may not comply.

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Who's Who...BP&F'S Bookkeeping Department

Jayne Massie



Jayne Massie joined the firm in February 2001, and is a full-time bookkeeper servicing our clients in the Fig Garden office. Experienced in MAS90, BusinessWorks, Quickbooks, Asset Keeper and Excel software, Jayne performs the bookkeeping functions for a variety of clients. Duties include preparing quarterly and year-end payroll taxes and payroll forms for clients. Depending on our clients' needs, Jayne does minimal bookkeeping work for some to being the full-charge bookkeeper for others. Jayne has also done work for clients that have a one-time, unique need (i.e. bank reconciliation). Because everyday brings different tasks and challenges, Jayne states, "I like the variety in my job and working with different clients."

Jayne also is the bookkeeper for her family business. Her husband, Jim, is a third generation grape farmer in the Easton area. Prior to BPF, Jayne was the data processing manager for Cenco Services in Fresno, Landmark Data Processing in Iowa, and also an Iowa CPA firm.

Jayne and Jim have two daughters: Jennifer, a sophomore at San Joaquin Memorial High School, and Jessica, a student at American Union Elementary School. Jayne is a member of the Assistance League of Fresno, serves as trustee for American Union School District and Easton Learning Center, and enjoys skiing and gardening.

You may contact Jayne at 432-2346 or jayne@bpfcpa.com.

Rhonda Carter



The newest member of BP&F's Bookkeeping Department in the Fig Garden office is Rhonda Carter, who joined the firm in December 2001. Rhonda provides the full range of bookkeeping services for six major clients in the construction, property management, and agriculture industries. Specializing in MAS90 and BusinessWorks, Rhonda performs monthly accounts payable, payroll and general ledger work for these clients. Her bookkeeping experience includes financial statements, budgeting, cash flow analysis, payroll, accounts receivable and purchasing. "I enjoy servicing and interacting with clients. We're here, and we can help!" she states.

Prior to joining the firm, Rhonda was the bookkeeper and controller for a manufacturer, school, and healthcare provider in the Fresno area. Rhonda received her Bachelor of Science degree from Pacific Coast Baptist Bible College. She grew up in the "world of numbers," as both of her parents are local CPAs.

Rhonda and her husband of 27 years, Charles, have three grown sons (Chad, Ryan, and Jared) and a six-year-old daughter, Sharlynn. She has two grandsons and is excited about the arrival of her first granddaughter. Rhonda is active in Faith Baptist Church in Fresno teaching Sunday School and providing special music.

You may contact Rhonda at 432-2346 or rhondacarter@bpfcpa.com.

2002 Federal Tax Filing Dates

September 16

- 1040-ES Estimated Tax for Individuals
- 1041-ES Estimated Income Tax for Fiduciaries
- 1120 U.S. Corporation Income Tax Return
- 1120-W Estimated Tax for Corporations (Worksheet)

October 15

- 1040 U.S. Individual Income Tax Return
- 1041 U.S. Income Tax Return for Estates & Trusts
- 1065 U.S. Partnership Return of Income
- 5500 Annual Return/Report of Employee Benefit Plan

November 15

- 990 Return of Organization Exempt from Income Tax Under Code Sec. 501(c)

December 16

- 1120W Estimated Tax for Corporations (Worksheet)

Bookkeeping Department Staff:

Karen E. Morais, CPA
Jayne Massie
Rhonda Carter
Deserie Castro

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- 1099 Forms
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"By The Book"

The next issue of "BY THE BOOK" will be mailed in December 2002. Articles will include "Household Employee Guidelines" and "Get Ready for Year-End Reporting". If you would like to receive a copy of "BY THE BOOK" by e-mail, please send your request to: mail@bpfcpa.com. Your questions or comments are welcome.



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**ELECTRONIC FEDERAL TAX PAYMENT SYSTEM • OVERTIME RECAP • STATE REPORTING •
CONFIDENTIALITY AND SOCIAL SECURITY • BOOKKEEPING PROFILE • 2002 FILING DATES**