

## Payroll for 2008

By: Jennifer McHugh, CPA

As we approach the end of 2007, you should be planning for 2008 by undating all of the tax information and rates for the new year. We have included a key items you should be aware of.

### 2008 Wage and Tax Rates

*Social Security* - 6.2%, wage base \$102,000

*Medicare* - 1.45%, all wages

*Pennsylvania* - 3.07%, all wages

*Pennsylvania unemployment* - .09%, wage base \$8,000

*Local earned income tax (EIT) and Local service tax (LST)* - varies by location. Check to see if your rate changed at: <http://munstatspa.dced.state.pa.us/Registers.aspx>

Emergency and Municipal Services Tax (EMST) - Act 7 of 2007 amends the Local Tax Enabling Act, Act 511 of 1965, making major changes to the EMST and renaming it the Local Services Tax or LST. The changes become effective for taxes levied and withheld by employers in calendar year 2008. Detailed information about the new Local Services Tax can be found on the PA Department of Community and Economic Development (DCED) website at <http://www.newpa.com/default.aspx?id=257>

*Philadelphia* - as of January 2008 the Philadelphia resident rate will be 4.219% and the non-resident rate will be 3.7242%.

*Minimum Wage Rates* - the wait is finally over. Minimum wage workers, who have gone more than a decade without a raise, saw the first of a three-step minimum wage increase go into effect on July 24, 2007. This first step

raised the minimum wage from \$5.15 (where it had been frozen since 1997) to \$5.85. The second step will raise the minimum wage to \$6.55 on July 24, 2008; and the third step will raise the minimum wage to \$7.25 on July 24, 2009.

### Employee or Independent Contractor?

Whether someone who works for you is an employee or an independent contractor is an important question. The answer determines your liability to pay and withhold Federal income tax, social security/Medicare taxes, and Federal unemployment tax.

In general, someone who performs services for you is your employee if you can control what will be done and how it will be done. The courts have considered many facts in deciding whether a worker is an independent contractor or an employee. These facts fall into three main categories:

● Behavioral Control - Facts that show whether the business has a right to direct and control. These include:

- Instructions - an employee is generally told:
  1. when, where, and how to work
  2. what tools or equipment to use
  3. what workers to hire or to assist with the work
  4. where to purchase supplies and services
  5. what work must be performed by a specified individual
  6. what order or sequence to follow

● Training - an employee may be trained to perform services in a particular manner.

● Financial Control - Facts that show

whether the business has a right to control the business aspects of the worker's job include:

- The extent to which the worker has unreimbursed expenses
- The extent of the worker's investment
- The extent to which the worker makes services available to the relevant market
- How the business pays the worker
- The extent to which the worker can realize a profit or loss

● Type of Relationship - Facts that show the type of relationship include:

- Written contracts describing the relationship the parties intended to create
- Whether the worker is provided with employee-type benefits
- The permanency of the relationship
- How integral the services are to the principal activity

If you would like for the IRS to determine whether or not a worker is considered an employee, you can submit Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding to the IRS.

### Tax Shifting Proposal for Pennsylvania

On September 27, 2007, the Post-Gazette Harrisburg Bureau published an article summarizing a proposal on tax shifting that was announced by Senator James J. Roades, R-Schuylkill, Pennsylvania. The proposal seeks to generate additional revenues for schools by eliminating or reducing school property taxes and increasing both the sales tax and personal income tax rates.

continued on page 2

The proposal seeks to cut school property taxes for 196 districts by 96 percent and completely eliminate school property taxes in 305 school districts. In contrast, the proposed sales tax rate would be the highest in the nation at -- 9.19 percent in 55 counties and 10.19 in Allegheny and Philadelphia, and the proposed personal income tax rate would jump from 3.07 percent to 4.36 percent. The stated outcome of the tax shifting is to generate an additional \$9 million in revenues for school districts. The Senator requested that the proposal be placed on a statewide ballot in November 2008, to be enacted in 2009.

### Fringe Benefits

- **Achievement Awards** - This exclusion applies to the value of any tangible personal property you give to an employee as an award for either length of service or safety achievement. The exclusion does not apply to awards of cash, cash equivalents, gift certificates, or other intangible property such as vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, and other securities. The award must meet the requirements for employee achievement awards discussed in chapter 2 of Publication 535, Business Expenses.

**Exclusion from wages** - You can generally exclude the value of achievement awards you give to an employee from the employee's wages if their cost is not more than the amount you can deduct as a business expense for the year. The excludable annual amount is \$1,600 (\$400 for awards that are not "qualified plan awards"). See chapter 2 of Publication 535 for more information about the limit on deductions for employee achievement awards.

- **De Minimis (Minimal) Benefits** - You can exclude the value of a de minimis benefit you provide to an employee from the employee's wages. A de minimis benefit is any property or service you provide to an employee that has so little value (taking into account how frequently you provide similar benefits to your employees) that accounting for it would be unreasonable or administratively impracticable. Cash and cash equivalent fringe benefits (for example, use of gift card, charge card, or credit card), no matter how little, are never excludable as a de minimis benefit, except for occasional meal money or transportation fare.

Examples of de minimis benefits include the following.

- √ Occasional personal use of a company copying machine if you sufficiently control its use so that at least 85% of its use is for business purposes.

- √ Holiday gifts, other than cash, with a low fair market value.

- √ Group-term life insurance payable on the death of an employee's spouse or dependent if the face amount is not more than \$2,000.

- √ Certain meals (see IRS Publication 15-B).

- √ Occasional parties or picnics for employees and their guests.

- √ Occasional tickets for entertainment or sporting events.

- **Educational Assistance** - This exclusion applies to educational assistance you provide to employees under an educational assistance program. The exclusion also applies to graduate level courses.

**Education expenses** - include costs of books, equipment, fees, supplies, and tuition; but do not include the cost of tools or supplies (other than textbooks) your employee is allowed to keep at the end of the course. Nor do they include the cost of lodging, meals, or transportation.

**Educational assistance program** - is a separate written plan that provides educational assistance only to your employees. The program qualifies only if all of the following tests are met.

- √ The program benefits employees who qualify under rules set up by you that do not favor highly compensated employees. To determine whether your program meets this test, do not consider employees excluded from your program who are covered by a collective bargaining agreement if there is evidence that educational assistance was a subject of good-faith bargaining.

- √ The program does not provide more than 5% of its benefits during the year for shareholders or owners. A shareholder or owner is someone who owns (on any day of the year) more than 5% of the stock or of the capital or profits interest of your business.

- √ The program does not allow employees to choose to receive cash or other benefits that must be included in gross income instead of educational assistance.

- √ You give reasonable notice of the program to eligible employees.

**Exclusion from wages.** You can exclude up to \$5,250 of educational assistance you provide to an employee under an educational assistance program from the employee's wages each year. Assistance over \$5,250 - If you do not have an educational assistance plan, or you provide an employee with assistance exceeding \$5,250, you can exclude the value of these benefits from wages if they are working condition benefits. Property or a service provided is a working condition benefit to the extent that if the employee paid for it, the amount paid would have been deductible as a business or depreciation expense. (See Working Condition Benefits in IRS Publication 15-B).

### Mark Your Calendars!

The Bucks County Center for Nonprofit Management is pleased to bring you the AFP's *Essentials of Fundraising* series in 2008 in Doylestown. Details to follow.

5/22/08--Grant Seeking

6/19/08--Starting a Development program

9/18/08--Board Development

10/16/08--Individual & Major Gifts

11/20/08--Annual Giving

# How to write a news release that will grab attention (and get published)

By *Brenda Lange*

Here's the scenario: You've added a stellar new staff member; you're planning a unique and exciting fundraising event; or you are about to open a satellite facility.

All these events have something in common: They deserve to be publicized.

Two choices face you-paying to advertise in local (and in some cases national) publications or getting 'free' advertising by sending out a well-crafted and appropriately targeted news release.

Writing such a release isn't rocket science, but there are a few guidelines you should be familiar with.

*Know your audience.* Determine who should know and where they live so you can decide which papers or electronic media should get your release. A good resource is [www.newslink.org](http://www.newslink.org).

*Call each outlet to confirm its address, email address and correct person to contact.* This phone call also will help build a relationship with editors and reports. Today, almost everything is sent via email, but confirm this with your contact.

## Writing the release

Start out with a simple paragraph that will hook your reader. Include the 5 W's: Who, What, Where, When and Why. Sometimes a How will sneak in as well!

After that lead, give some background information. Include quotes, but use them judiciously. Be sure to include your mission statement and action steps for the reader to follow, i.e. "Tickets will be sold at the door for \$5" for example.

Your prose shouldn't be flowery, but rather creatively attractive enough to demand attention. Some other items to keep in mind when writing the release:

- √ Accuracy is all-important. Be sure you have dates, times, locations and everything else correct. It helps to have a "second set of eyes." If you don't have a colleague available to reread your work, then set it aside for a little bit-get that cup of coffee or take a short walk. Then come back and reread it yourself, line by line, very carefully. More than 1/3 of all news releases are missing a vital piece of information. It's okay to send an occasional "Oops... I forgot something" email, but you don't want to make it a habit.
- √ Spelling always counts!
- √ Go light on the fluff. It's important not to inundate journalists with less-than-newsworthy fluff. It's okay to occasionally pat yourself on the back-we all do-but do it sparingly.
- √ Include a contact name and phone number at the top of the release. Also include the date and a headline that will explain the release succinctly. Use a similarly clear explanation in the subject line of the email.
- √ Keep it brief. A one or two-page release is long enough. Include website links for additional information or bullet information. Most of your releases will get condensed or rewritten anyway.
- √ Visuals help tell a story, so if you have photos, send them along, just be sure to caption them clearly.
- √ Do your best to send your release out two weeks before your event. If it's something big, send a save-the-date alert as far in advance as you can-even six months is fine.

And remember, editors and reporters are not scary people. They want what you've got. Now go and give it to them!

*Brenda Lange is a freelance writer specializing in business communications. Visit [www.brendalange.com](http://www.brendalange.com)*

# **BBCo Community Bulletin Board**

We are pleased to accept your submissions of jobs and special announcements. E-mail directly to: Liz Vibber, [lvibber@bbco-cpa.com](mailto:lvibber@bbco-cpa.com).

**MEN'S INITIATIVE (MI)**, a resource, network, and treatment center for men, will open doors to the public in early January. Serving men, particularly those in mental and emotional distress, this new non-profit will provide targeted, therapeutic services to help each male client address his unique individual issues towards the goal of leading a healthier, happier life.

MI's leadership team focuses specifically on the needs of men because it believes many men who need psychological care simply don't or won't get it. Social stigma, fear of the unknown, or inability to pay often prevent the seeking and receipt of proper care. MI's exclusive attention to men's concerns addresses these barriers and makes the center a non-threatening place for men to get help.

Clients at MI can find help dealing with drug or alcohol addiction, depression, marital problems, family dysfunction, parenting and fatherhood issues, financial stressors, anger management, and more.

Men's Initiative's clinical approach will vary depending upon each client's needs, but generally pursues an overall philosophy of a "strengths-based, positive psychology" - a discipline that encourages men to focus on strengths and virtues, enabling individuals and communities to meet their challenges and best thrive.

MI services will include individual psychotherapy, group psychotherapy, outdoor and experiential therapy, couples therapy,

workshops and training, educational seminars and professional trainings, and professional consultations.

Accessible MI services will be provided to all men, regardless of ethnic or cultural background, sexuality, age, health status, or disability. The agency will also act as a "hub" for other social service referrals, and as a central clearinghouse for "Men's Work" networking.

Men's Initiative is based upon the success of another local non-profit, HealthLink Medical Center in Southampton. HealthLink offers free medical and dental care to working uninsured Montgomery and Bucks County residents. Geoffrey Jackson, MI's founder, is Board Chairman for HealthLink Medical Center. Like HealthLink, MI will operate with a core paid staff, but is dependent upon volunteer health professionals to work with particular clients and do other activities.

For more information, to make a donation, or to volunteer, please contact: Kevin Roth at 215-990-4951. Visit Men's Initiative online at [www.mensinitiative.org](http://www.mensinitiative.org) for client information, its mission statement, detailed directions, and more.



**MILEAGE RATE FOR 2008  
IS  
50.5 CENTS/MILE**

Winter, 2007

**BUCKS COUNTY  
CENTER FOR NONPROFIT MANAGEMENT**  
Certified Public Accountants  
936 Easton Rd.  
PO Box 754  
Warrington, PA 18976