

MEDIA DATA SERVICES, INC.

"The Payroll Experts"

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2015

YEAR END INFORMATION

&

2016

PAYROLL TAX PREVIEW

**PLEASE READ THIS INFORMATION CAREFULLY AND SHARE IT WITH YOUR
ACCOUNTANT OR TAX PROFESSIONAL**

Media Data Services, Inc. does not render tax or accounting advice.

MEDIA'S PAYROLL PLATFORM FEATURES

As you know, Media has converted our clients to our new payroll platform, which offers many additional features that include unlimited pay types and deductions as well as customized reports. Additional features include:

ON-LINE PAYROLL Media currently offers on-line payroll services to allow for a completely paperless payroll.

QUICK BOOKS AND OTHER GL DOWNLOADS... Formats compatible with certain general ledger systems can be sent to you via email after every payroll to expedite your bookkeeping processes.

PAY AS YOU GO WORKERS' COMP.... Payroll data is transmitted electronically with each payroll to Media's insurance partners such as The Hartford & E-Comp.

TIMEKEEPING SERVICES....Media partners with a timekeeping services provider where the data from the time clocks can be imported directly into our system.

DIRECT DEPOSIT.... Media can transmit data for the automatic transfer of money into the individual employee's bank account to ensure the money is available on the pay date.

RETIREMENT PLAN REPORTING....Annual compliance reports for 401(k), 403(b), 457, etc. are available. We can also transmit information to your plan provider.

ADDITIONAL PRODUCTS AND SERVICES.....Employee address list, Payroll check signing, stuffing and sealing in envelopes, individual earnings reports (Ledger cards); Vacation, Sick, Holiday accumulators, Automatic New Hire reporting (unless you opt out).

ELECTRONIC TAX PROCESSING.....If you are a tax-filing client, all reports and W-2s are electronically filed for you. If you are NOT a tax-filing client and have more than 250 W-2s, you must file electronically. MEDIA can perform this service for you if you NOTIFY US IN WRITING AND FAX TO 973-785-2453 (see below).

Please file my W-2 information electronically to SSA_____ State of NJ_____ BOTH_____

COMPANY NAME_____AUTHORIZED SIGNATURE_____

TAX and TAXABLE WAGE NEWS FOR 2016

Please note that MEDIA DATA is prepared to implement any payroll tax, wage and form changes as required, whether detailed below or not yet announced.

Social Security: 2016 Wage Base Does Not Change

The Social Security maximum taxable earnings will remain the same as 2015 at \$118,500.

The Social Security tax rate will remain at 6.2% for employees and employers.

Maximum employer and employee social security contributions will remain the same at \$7347.

Medicare maximum taxable earnings remain unlimited.

Medicare tax rates also remain the same as 2015, and are as follows:

Employer rate: 1.45%

Employee withholding rate: 1.45% on wages < \$200,000

Employer withholding rate: 2.35% on wages >\$200,000 (1.45%+0.9%)

IRS NEWS FOR 2016

FEDERAL INCOME TAX

The IRS has announced various tax changes due to inflation adjustments for tax year 2016.

The personal exemption rises to \$4,050 from the 2015 exemption of \$4,000.

The annual dollar limit on employee contributions to employer-sponsored healthcare flexible spending arrangements (FSA) is unchanged at \$2,550. Any "catch-up" contributions must be reported to Media each year.

PENSION PLAN LIMITS UNCHANGED FOR 2016

Limits on exclusions for elective deferrals under:	2016	2015	2014	2013
401(k) and SEP plans	\$18,000	\$18,000	\$17,500	\$17,500
403(b) and 457 plans	\$18,000	\$18,000	\$17,500	\$17,500
Simple Plans	\$12,500	\$12,500	\$12,000	\$12,000
"Catch-up" Contributions:401(k),403(b),SEP,457	\$6,000	\$6,000	\$5,500	\$5,500
"Catch-up" Contributions: Simple plan	\$3,000	\$3,000	\$2,500	\$2,500

HEALTH CARE COVERAGE REPORTING REQUIREMENT FOR 2016

Health care reporting requirements continue to be optional for small employers in 2016.

For employers that do not meet the relief requirements and are subject to the reporting requirement for 2015 W-2s, the IRS has given guidance on: 1) positioning of reporting in Box 12

with code DD on Form W-2; 2) how to calculate the cost of coverage; 3) how to treat salary reductions for health flexible spending arrangements (HSA); and 4) an exclusion for issuing a W-2 to anyone for whom the employer would not otherwise have issued a W-2 (such as retirees with continuing health benefits). Please see www.irs.gov for more information on health care reporting requirements.

Media is prepared to provide these reporting requirements on the W-2 for those companies with mandatory compliance. For small employers, Media will leave the optional reporting requirement up to the employer. It will be your responsibility to tell Media if you plan to report health care costs on the W-2 and you will need to provide Media with the appropriate information by Friday, December 11, 2015. Please call your Media representative if you plan to report this data.

Other Items

Once again **INDIVIDUAL** and **BUSINESS** taxpayers will no longer receive paper income tax packages in the mail from the IRS. These tax packages contained the form schedules and instructions for filing a paper income tax return. Also, no payment coupons were allowed for payroll deposits. All **TAX PAYMENTS** must be made electronically via EFTPS.

Please read our separate page regarding ACA reporting.

NEW JERSEY PAYROLL NEWS

The State of New Jersey has **INCREASED** the taxable wage base for unemployment (UI), temporary disability (TDI) and family leave insurance (FLI) to \$32,600 in 2016 from \$32,000 in 2015. The State has also **DECREASED** the employee's TDI rate to 0.20% from 0.25% and the FLI rate to 0.08% from 0.09%. There is no change to the employees' UI rate.

	2016	2015	2014
The maximum employee contributions			
UI $\$32,600 \times 0.425\% =$	\$138.55	\$136.00	\$133.88
TDI $\$32,600 \times 0.200\% =$	\$65.20	\$80.00	\$ 119.70
FLI $\$32,600 \times 0.080\% =$	\$ 26.08	\$ 28.80	\$31.50
Employee Total	\$229.83	\$244.80	\$285.08
Maximum Workers' Compensation weekly benefit	\$871.00	\$855.00	\$843.00
Maximum Unemployment Insurance weekly benefit	\$657.00	\$646.00	636.00\$
Maximum Temp. Disability Insurance weekly benefit	\$615.00	\$604.00	\$595.00
Base week amount increases to	\$168.00	\$165.00	\$145.00
Alternative earnings test amount remains	\$8,400.00	\$8,300.00	\$7,300.00

In the third quarter of 2015, Media implemented each employer's unemployment and disability rates as dictated by the State of New Jersey's Department of Labor and Workforce Development Employment Security Agency (DOL). You should have received a notice from the state describing the new calculation of the employer's final unemployment experience rate (with the allocation between Unemployment and Workforce Funds) and Disability insurance experience rate. The new rates were retroactively effective from July 1, 2015 through June 30, 2016.

Company Owners Located in Jersey City, Newark, and More Cities

Since January 24, 2014, Jersey City law requires businesses that employ 10 or more workers to provide one hour of paid sick time for every 30 hours an employee works, capped at 40 hours, or five days, annually. Businesses with nine or fewer workers must provide 5 unpaid sick leave.

Beginning May 29, 2014, Newark law requires that all private employers must provide sick time to employees who work at least 80 hours in a calendar year. Employers with 10 or more employees must provide up to 40 hours of paid sick time to each employee in a calendar year. Employers with fewer than 10 employees must provide 24 hours of paid sick leave

There are now nine cities in New Jersey requiring mandatory sick leave. They include Bloomfield, Trenton, Irvington, East Orange, Montclair, Paterson and Passaic. Please contact your city government for specific details.. .

MEDIA DATA SERVICES INC

AFFORDABLE CARE ACT REPORTING

Dear Media Client:

In our 2014 year-end booklet, Media emphasized that the regulations concerning the AFFORDABLE CARE ACT (ACA) would affect many more companies in 2015.

In our June 2015 edition of MEDIA PAYROLL NEWS, we emphasized that we had Information reporting tools to help our clients with compliance issues. Some of our clients are using these tools to help with the Employer Reporting Responsibilities of the ACA.

In 2016, an APPLICABLE LARGE EMPLOYER (ALE) is any employer who employs a total of 50 full time or full-time equivalent employees in the prior year. The ALE must report to the IRS information about health care coverage on Form 1094C and provide the IRS and the employee with a Form 1095C . The forms must be filed on the same schedule as the W-2. More information is available on www.irs.gov.

If you are an ALE for 2016, tracking of your employee hours is of utmost importance beginning in January 2016. You can use our online tool to monitor the hours so your Form 1095C's can be completed by January 31, 2017.

Please let us know immediately if you want to take advantage of this helpful online service.

Also, please be aware that there is work to be done by you in this regard. We urge you to take action immediately to ensure that your reporting obligations are met.

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FUTA CREDIT REDUCTION ALERT

A state that has not repaid money it borrowed from the federal government to pay unemployment benefits is a "credit reduction state." The Department of Labor determines these states. If an employer pays wages that are subject to the unemployment tax laws of a credit reduction state, that employer MUST PAY additional federal unemployment tax when filing its form 940.

Good news for New Jersey, New York and Pennsylvania employers:

Unemployment Trust Funds in these states are solvent, which means that there will be **NO FUTA CREDIT REDUCTION** added to their Form 940s for 2015. Only California, Connecticut, Ohio and the US Virgin Islands are subject to the FUTA Credit Reduction this year.

NEW MINIMUM WAGE ACTIONS

There will be no increase in the New Jersey minimum wage for 2016, as there was no inflation in 2015. The minimum wage of \$8.38 will remain the same.

However, some other states have increased the minimum wages:

New York will have a minimum wage of \$9.00. Fast food workers in New York City will increase to \$10.50/hr. For the rest of the state, fast food workers will receive \$9.75/hr.

Effective January 1, 2016, the New York City Commuter Benefits Law will require employers with 20 or more full-time employees to provide pre-tax transit benefits to employees.

Rhode Island will increase minimum wage to \$9.60 from \$9.00/hr. and Massachusetts will increase to \$10.00/hr.

The Federal minimum wage will remain \$7.25 except for employers who do business with the government. Those workers will receive at least \$10.15 per hour by executive order of President Obama.

W-2 REVIEW

Accuracy Checklist

Due to privacy legislation, Media no longer prints the complete Social Security Number on payroll reports or employee paycheck stubs. However, Media can provide you with an Employee List that displays both Social Security Number and Address to enable you to review and make changes BEFORE December 11th. Please request this list from your Account Representative.

MEDIA WILL NOT BE RESPONSIBLE FOR INCOMPLETE OR INACCURATE CLIENT INFORMATION ON FORM W-2, FORM 941 OR WR-30/STATE WAGE LISTINGS.

Taxable Fringe Benefits Reporting

According to the IRS rules, the value of certain fringe benefits must be reported as taxable income on the 941 as well as on the employee's W-2. Please consult your CPA or tax advisor regarding the taxability of benefits for your company and report the information to your Account Representative.

Qualified Pension Reporting

As required, a qualified pension plan (e.g. 401k, 403b, SEP or SIMPLE) will automatically be marked on an employee's W-2, if there is a salary deferral for the plan from the wage of the employee. However, if the plan is funded entirely by the employer, then you must inform Media which employees are participants in the plan. Please submit this data no later than December 11th.

Disability reporting

If you have already reported disability income for any of your employees during this year, this information will automatically be generated on a W-2 for that employee. If you have not already reported those disability income reports to us, please do so IMMEDIATELY. All disability information processed through Media must be submitted by December 18th.

Media's Electronic Payment Option

Media's automatic pay option by direct debit is one of the safest and most reassuring ways of paying your bills. Payments are made automatically, so bills are never forgotten, lost or delayed by the mail and there's no risk of late payment charges. It takes away the hassle associated with writing out checks and allows you to use your time more efficiently.

Please also note that our service fees can be deducted from any specified account, even if it is different from your payroll account. Media invoices after each payroll. Automatic payment will occur each billing cycle and there is no charge for this service.

If you are not one of the hundreds of our clients that already take advantage of electronic payment, we strongly recommend that you consider this option. It will increase efficiency in our office as well as yours. Just return the bottom of this letter to activate. We are happy to continue to accept paper checks for payment of our service fees. However, there will be an additional administrative and handling charge to cover our time and expenses.

If you have any questions about this policy, please do not hesitate to call me at 973-785-3100.

Kind regards,
Dan DeCando, Vice President, Marketing

Bank Account Authorization Agreement for Electronic Payment

Media Data Services, Inc. (Media) is authorized by the undersigned client ("Client") to implement and utilize the debit method (and/or corrections to previous debits) originated by check or electronic fund transfer for purposes of collecting from Client's bank or other financial institution ("Bank") account ("Account:") identified below Media's payroll processing and tax service fees and charges.

The Bank is authorized by Client to comply with this authorization and debit the Account in accordance with the debit method originated by check or electronically as if initiated by client. This authorization shall remain in effect until revoked by the undersigned in writing and received by Bank so as to allow a reasonable amount of time for all involved parties to act on it.

Client shall maintain a sufficient balance in said account to be readily available at least (2) banking days prior to Client's payroll check date to cover all current payroll and tax service fees as agreed upon by Media and Client. If for any reason Client's bank were to refuse to honor a payroll direct debit transaction, a \$35.00 non-sufficient funds (NSF) fee will be assessed to Client as Media's reasonable costs. Additional NSF fees escalate by \$50.00 each reoccurrence. Under such circumstances, Media may immediately terminate this Agreement without written notice. Should Media so terminate this Agreement, Media shall not be responsible or liable for making the then due or any future payroll transactions.

Client Name: _____

Bank Name, City, & State: _____

R/T Number (ABA#): _____ Account Number: _____

Authorized Signature (on Bank records)

Print Name

Date

- ❖ Please affix a voided check or bank specification sheet ONLY if the account from which you want to pay for your payroll service fees is DIFFERENT from the account used to write your payroll checks. Otherwise, we will debit your regular payroll account for processing fees.