

MEDIA DATA SERVICES, INC.

“The Payroll Experts”

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2014

YEAR END INFORMATION

&

2015

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.

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 employers: Governor Christie announced that the Unemployment Trust Fund is solvent, which means that there will be **NO FUTA CREDIT REDUCTION** added to NJ employers when filing the 2014 Form 940. Pennsylvania will not have a credit reduction either. However, **New York, Connecticut, North Carolina and California** will have a credit reduction as well as other states listed below in column CY 2014. If you have operations in any of those 8 states, **please be prepared to pay additional monies in order for Media to complete your form 940 for 2014.** .

Actual FUTA Credit Reductions

(Payable on a \$7,000 taxable wage base)

State	CY 2009	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014
Arizona				0.3%		
Arkansas			0.3%	0.6%	0.9%	
California			0.3%	0.6%	0.9%	1.2%
Connecticut			0.3%	0.6%	0.9%	1.7%
Delaware				0.3%	0.6%	
Florida			0.3%	0.6%		
Georgia			0.3%	0.6%	0.9%	
Illinois			0.3%			
Indiana		0.3%	0.6%	0.9%	1.2%	1.5%
Kentucky			0.3%	0.6%	0.9%	1.2%
Michigan	0.3%	0.6%	0.9%			
Minnesota			0.3%			
Missouri			0.3%	0.6%	0.9%	
Nevada			0.3%	0.6%		
New Jersey			0.3%	0.6%		
New York			0.3%	0.6%	0.9%	1.2%
North Carolina			0.3%	0.6%	0.9%	1.2%
Ohio			0.3%	0.6%	0.9%	1.2%
Pennsylvania			0.3%			
Rhode Island			0.3%	0.6%	0.9%	
South Carolina		0.3%				
Vermont				0.3%		
Virgin Islands			0.3%	1.5%	1.2%	1.2%
Virginia			0.3%			
Wisconsin			0.3%	0.6%	0.9%	

Source: Department of Labor. Any questions, please call Rob Pavosevich at 202-693-2935 or pavosevich.robert@dol.gov

MEDIA'S NEW PAYROLL PLATFORM.....

As many of you know, Media has been converting 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 2015

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 Announces 2015 Wage Base -- Will Increase

The maximum taxable earnings subject to the Social Security tax will increase to \$118,500.00 for 2015, up from \$117,000.00 in 2014. The social security tax rate will remain 6.2% for both employees and employers up to the new wage base. Therefore, the maximum Social Security Tax employees and employers will each pay in 2015 is \$7,347.

In 2015, both the employee and employer will pay 1.45% for Medicare taxes. However, consistent with 2014, there will be an additional Medicare employee tax deduction of 0.9% added to the 1.45% for wages over \$200,000. In effect, an employee will pay 2.35% when he/she reaches \$200,000 in wages. However, the employer will continue to pay 1.45%.

IRS NEWS FOR 2015

FEDERAL INCOME TAX

The IRS has announced various tax changes due to inflation adjustments for tax year 2015.

The personal exemption rises to \$4,000 from the 2014 exemption of \$3,950.

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

PENSION PLAN LIMITS UNCHANGED FOR 2014

Limits on exclusions for elective deferrals under:	2015	2014	2013	2012
401(k) and SEP plans	\$18,000	\$17,500	\$17,500	\$17,000
403(b) and 457 plans	\$18,000	\$17,500	\$17,500	\$17,000
Simple Plans	\$12,500	\$12,000	\$12,000	\$11,500
"Catch-up" Contributions:401(k),403(b),SEP,457	\$6,000	\$5,500	\$5,500	\$ 5,500
"Catch-up" Contributions: Simple plan	\$3,000	\$2,500	\$2,500	\$ 2.500

HEALTH CARE COVERAGE REPORTING REQUIREMENT FOR 2014

Health care reporting requirements continue to be optional for small employers in 2014. A small employer is determined as those filing fewer than 250 Form W-2 for the previous year. Therefore, any employer that filed fewer than 250 W-2s for the year-ended 2013 will **NOT** be subject to the health care reporting requirement for 2014.

For employers that do not meet the relief requirements and are subject to the reporting requirement for 2014 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 12, 2014. 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.

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 \$32,000 in 2015 from \$31,500 in 2014. The State has also decreased the employee's TDI rate to 0.25% from 0.38% and the FLI rate to 0.09% from 0.1%. There is no change to the employees' UI rate.

	2015	2014	2013
The maximum employee contributions			
UI $\$32,000 \times 0.425\% =$	\$136.00	\$133.88	\$131.33
TDI $\$32,000 \times 0.250\% =$	\$80.00	\$119.70	\$111.24
FLI $\$32,000 \times 0.090\% =$	\$ 28.80	\$ 31.50	\$ 30.90
Employee Total	\$244.80	\$285.08	\$273.47
Maximum Workers' Compensation weekly benefit	\$855.00	\$843.00	\$826.00
Maximum Unemployment Insurance weekly benefit	\$646.00	\$636.00	\$624.00
Maximum Temp. Disability Insurance weekly benefit	\$604.00	\$595.00	\$584.00
Base week amount increases to	\$165.00	\$145.00	\$145.00
Alternative earnings test amount remains	\$8,300.00	\$7,300.00	\$7,300.00

In the third quarter of 2014, 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, 2014 through June 30, 2015.

Company Owners Located in Jersey City & Newark:

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.

NEW MINIMUM WAGE ACTIONS

NEW JERSEY: New Jersey voters approved an **increase in the state minimum wage to \$8.38** from \$8.25 when they voted to amend the NJ State Constitution to provide for a cost-of-living increase to the minimum wage each year in accordance with the Consumer Price Index (CPI). The new minimum wage will go into effect on January 1, 2015. The cost-of-living adjustments are applied each September.

As the debate on the Federal Minimum Wage continues, many states address the issue. Below is a list of all states minimum wages rates set to change in late 2014 and throughout 2015:

Taxing Authority	2015 Rate	Effective Date
New York	\$8.75	December 31, 2014
West Virginia	\$8.00	December 31, 2014
Connecticut	\$9.15	January 1, 2015
Hawaii	\$7.75	January 1, 2015
Maryland	\$8.00	January 1, 2015
Massachusetts	\$9.00	January 1, 2015
Rhode Island	\$9.00	January 1, 2015
Vermont	\$9.15	January 1, 2015
Delaware	\$8.25	June 1, 2015
Washington D.C.	\$10.50	July 1, 2015
Maryland	\$8.25	July 1, 2015
Minnesota	\$9.00 - Large Employer, \$7.25 Small Employer	August 1, 2015
New York	\$9.00	December 31, 2015
West Virginia	\$8.75	December 31, 2015

A few states have minimum wage laws that designate minimum wage rates below the federal. These states automatically default to the Federal Rate that still remains \$7.25. States with rates lower than the Federal are: Arkansas, Georgia, Minnesota and Wyoming. Other states such as Alabama, Louisiana, Mississippi, South Carolina and Tennessee have no minimum wage laws and default to the Federal. For more specific information on minimum wage laws in the various states go to <http://www.dol.gov/whd/minwage/america.htm>. Additionally, higher minimum wages are required for Federal and local government contract workers.

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 12th. 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 12th.

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 19th.

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.