

DWORKEN, HILLMAN, LAMORTE & STERCZALA, P.C.

Being GREEN = Emailing future issues!

Please send your current email address to Lynn at lynnb@dhs.com
(Addresses of colleagues & friends are also welcome.)



Microsoft Unscrambled!

Have you experienced a problem with someone sending you a Word or Excel file that you cannot open? The reason is probably due to the file format change that Microsoft made when they released the Office 2007 versions of the programs. Microsoft saved older versions of Word and Excel files with file extensions of .doc and .xls. Just to confuse the issue, with Office 2007, the files are saved with .docx or .xlsx.

If you have not yet upgraded your software, how can you access new-format files? Microsoft has a free (yes, free) download available that will automatically convert and open files created with Office 2007 programs. The converters can be found on Microsoft's website by searching for "Microsoft Office Compatibility Pack for Word, Excel and Powerpoint 2007 File formats".

Also, if you are using Office 2007 and wish to send a file to someone using an older version, when you save your file, use the "Save As" feature and select the option to save your file as a "Word 97-2003" format, or an "Excel 97-2003 Workbook".

As always, before installing any software application, check with your IT consultant so you do not create conflicts with other installed software components. ■



Late 401(k) Contributions = Potential Problems

Did you know there is a penalty for sending your employees' 401(k) contributions in late?

YEP. The Department of Labor (DOL) requires that amounts withheld from employees for 401(k) contributions be remitted to the custodian/investment advisor "as soon as possible".

What does this really mean? The DOL looks at patterns established by employers for remitting deposits and at what point in time the amounts withheld can be reasonably segregated and calculated by the employer. For

most employers, this means that funds should probably be remitted to the custodial entity within two or three days of the payroll date to avoid problems.

So I'm late. So what? The DOL considers late payments by an employer to be "prohibited transactions", and the employer is required to reimburse participant accounts for lost earnings due to not having the funds in the accounts.

See Page Two For More Details.



IRS Cautions on New Email Scams

The IRS has cautioned taxpayers to be vigilant for scams that use the IRS name, logo or website to obtain personal and financial information, such as password or account numbers. In recent scams, (1) fraudsters ask recipients to register their account information on a fake web address to obtain a tax refund or a refund of the Making Work Pay Credit; (2) recipients receive an email claiming to come from the IRS notifying them of "underreported income" on recent taxes; (3) recipients receive an email claiming to come from the Treasury Department stating they will receive millions of dollars in recovered funds, lottery winnings or cash if they provide certain information; or (4) fraudsters modify a genuine Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for U.S. Tax Withholding) to request personal and financial information. The IRS reminds all taxpayers that it *never discusses tax account matters by email*. If they want to talk to you, you'll get a letter. The only genuine IRS website is www.irs.gov. ■

continued from front

- The DOL continues to focus on the timeliness of remittance of participant contributions in contributory employee benefit plans.
- Participant contributions are considered to be plan assets on the earliest date that they can reasonably be segregated from the employers general assets, but in no event later than (i) for pension plans, the 15th business day of the month following the month in which the participant contributions are withheld or received by the employer, and (ii) for welfare plans, 90 days from the date on which such amounts are withheld or received by the employer (DOL Reg. 2510.3-102(b)).
- Failure to remit, or untimely remittance, of participant contributions constitutes a “prohibited transaction” under ERISA Section 406 (either a use of plan assets for the benefit of the employer or a prohibited extension of

credit), regardless of materiality, and, in certain circumstances, may constitute embezzlement of plan assets. In addition, such information may be required to be presented in a supplemental schedule attached to the Form 5500 (see below).

- Failure to timely remit participant contributions represents a control deficiency that may require a management letter pursuant to Statement on Auditing Standards No. 112, “Communicating Internal Control Related Matters Identified in an Audit”.
- Information on all delinquent participant contributions should be reported on Line 4a of either Schedule H or Schedule I of Form 5500, regardless of the manner in which they have been corrected.
- Plan administrators should correct the prohibited transaction with the IRS by filing a Form 5330 and paying any applicable excise taxes. ■

Friendly Reminder to Our Clients and Friends

New CT Dialing System Starts November 14, 2009

Connecticut is running out of phone numbers. So beginning November 14, 2009, the state will add two new area codes, which will be added to the same geographic region served by an existing area code. This will not change existing phone numbers or area codes. But it will change the way we dial local calls.

Starting November 14, all local calls in Connecticut will have to be dialed using area code + seven digit telephone number. That's right, even a call to Aunt Millie next door is now a 10-digit dial.

In addition to changing dialing procedures, all services or automatic dialing equipment or other types of equipment programmed with 7-digit phone numbers will need to be reprogrammed. Life safety systems, security systems, speed dialers, voicemail systems, mobile phone contact lists are just some of the functions you'll need to think about. ■



Don't Give The Fed Too Much – Or Too Little

How to adjust FIT Withholding

With just a couple of months remaining, now is a good time to make sure you are on track to have the right amount of federal income tax withheld from your paycheck for the balance of the year.

- If you will be significantly underwithheld, you risk IRS interest rate penalty.
- If you will be significantly overwithheld, you are basically making an interest-free loan to Uncle Sam.

Neither situation is good. The simplest way to correct for under- or overwithholding is by turning in a new Form W-4 (Employees Withholding Allowance Cer-

tificate) to your employer. Taking this action will adjust the amount of federal income tax that is withheld from your paycheck for the remainder of the year. Specifically, you can adjust your withholding by raising or lowering the number of allowances claimed on your W-4. The more allowances claimed, the lower the withholding, and vice versa. If claiming zero allowances still won't result in enough extra withholding, you can ask your employer to withhold an additional amount from each paycheck.

Simple, right? Well, it is the IRS, after all, where nothing is simple or easy. You may

need to complete several worksheets (included in the W-4 instructions) to get a reasonably accurate fix on how many allowances should be entered on your W-4.

Alternatively, consider using the easy-to-use payroll deductions calculator available on our website at www.dhls.com.

On the other hand, if you want to look at the bigger picture, we would be happy to put together an end-of-year tax projection for you, along with some recommended planning moves to lower your 2009 tax bill. Please give us a call if you have any questions or want more information. ■