



Newsletter

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July 2004

Tax News

This is a better year than most to have taxable income. The **lower tax rates** from last year continue this year, such as 10%, 15%, 25% etc., for ordinary income and the 5% or 15% for long term capital gains. The IRS has launched a publicity campaign for farmers to use **income averaging**. It may be worth checking, but three factors significantly reduce or eliminate its benefit. *First* is that the Alternative Minimum Tax (AMT) often limits the tax reduction. *Second* is that the brackets borrowed from the three previous years may have higher rates. *Finally*, choosing the right amount of farm income to average is just educated guesswork and usually takes many calculations to find an approximate best. It still may be worth it, but good annual tax planning is probably preferable to income averaging and can be done by deferring income, adjusting depreciation and direct expensing, or prepaying inputs.

Great news when **trading-in machinery**. Since 2000, we had to keep the traded-in item on the depreciation schedule just as it was. According to **Treasury Decision 9115**, we can elect to roll the remaining basis on the traded-in item into the boot paid for the new item and depreciate the whole amount - **the same way we used to do it**. More information about making this election will be available this fall after the IRS produces the 2004 Depreciation **Form 4562**.

The **State of Michigan's income tax rate** decreased from 4.0% to 3.9% as of July 1. This affects payroll withholding a little bit (*see article on page 3*). For those clients using the **MicroTel Payroll** program, note the following **directions for changing your withholding tables** in the program:



1. Access the Payroll Main Menu
2. Select #21 - Payroll Customization
3. Select #3 - Withholding Factors
4. Select #2 - State Withholding Factors
5. In the field where **.040** is displayed, type **.039**
6. Save with F10

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IMPORTANT PROGRAM UPDATES!

TfWA Version 1.2.4 is available on the Telfarm web site at www.canr.msu.edu/telfarm/.

MicroTel Payroll Version 7.1.1 update is also available on the Telfarm web site. Click on "DOS Payroll Updates". This update adds a new menu item #1 - YTDs Balanced with Checks. If you cannot access these "patches" from our web site, please call us at (517) 355-4700.

WARNING! Pitfall for MicroTel Users!

We have had several clients lose entire runs of payroll checks lately and we have now tracked down what we believe is the cause:

More than one copy of Payroll is running at the same time.

WATCH: When this happens, your computer suddenly begins to *respond VERY slowly*.

This can happen for a variety of reasons:

- Unintentionally clicking the Payroll icon too many times.
- The computer's screen saver or sleep mode may come on, interfering with the continued operation of Payroll.
- Some event may occur to cause the Payroll program to be minimized to a button on the Taskbar*. Not seeing the Payroll window, you start another copy.

NOTE: *Because this is a DOS-based program problem, it applies to BOTH MicroTel Payroll and Accountant programs.*

We are working to find a way with the program to prevent this from happening, but have not found a satisfactory solution yet. Until we do, you can help protect yourself:

1. Do a clean start of your computer to close all software
2. Be sure to carefully click the mouse on the Payroll icon (better solution: click ONCE to highlight the icon, then press the Enter key to start the program)
3. Check the Windows Taskbar*. You should see only ONE button there that has to do with Payroll. (This can't be done when running Payroll full-screen.)
4. If you are going to be away from your computer for a time (phone call, running an errand) we recommend shutting down the program, unless you're in the midst of check printing, of course.

As an extreme measure, you can even deactivate the screen saver and/or power management that may interrupt computer operation. Long payroll runs (such as check printing) may make the computer appear "idle" (even though it is NOT) and activate features that interfere with the Payroll software.

***Taskbar:** the bar, usually at the bottom of the Windows Desktop screen that contains the Start button and shows all running applications as buttons.

Ag Expo—July 20-22

**Are you still trying to solve
the puzzle of
farm financial record keeping?**

Stop by and see us at **Booth #24 on Third Street** and learn how the four "pieces" of the "puzzle" fit together and how Telfarm can help you have a better understanding of your farm business.

See our new display, view program demonstrations, and enter to **win \$50** towards your 2004 enrollment or programs!

"...that's why I continue with Telfarm...I have confidence in all of you and know you really have our best interests in mind."

— Current Telfarm Client

Reminder— Telfarm e-mail Address

For those of you who send transmits and/or Form 3s via e-mail or just want to send us a message or question via e-mail, Telfarm's **current** e-mail address is

telfarm@msue.msu.edu

We sent notices in the Fall to our e-mail clients notifying them of the change and most of you have changed your address books accordingly. However, some clients are still trying to use the old "microtel@msue.msu.edu" address, which is *no longer valid* and is *no longer being forwarded* to our current address.

New Windows-based Payroll Program for 2005!

This Fall, Telfarm will begin a partnership with **PenSoft Payroll Solutions** of Newport News, Virginia as a distributor/supporter of their **Payroll Plus** program. Payroll Plus will be compatible for linking with *Telfarm for Windows Accountant* and will be similar in pricing and support to our in-house products. Features of the software include:



- Multiple companies
- Michigan Tax Tables
- Expanded individual employee setup
- Enhanced payroll data entry
- Attendance management
- Direct deposit capabilities
- Job codes equating to enterprising
- 401 (k) and cafeteria plan tracking
- Tracking of vacation, holiday, and sick plans
- Prints checks and tax reports
- W2 tracking, processing, printing, MagMedia W2s
- Many management, state, and federal reports

We are pleased to be able to offer PenSoft Payroll Plus as a companion to TFWA for those of you who need both payroll *and* accounting software for your farm businesses. Because PenSoft Payroll Plus is suitable for businesses other than just agricultural, Telfarm will provide you with program support *specific* to the needs of agricultural producers.

We will begin offering this program as an enrollment option to our clients for **2005**; please feel free to visit the PenSoft web site at **www.pensoft.com** to learn more about the features and capabilities of Payroll Plus.

Our Telfarm Training Coordinator, **Nancy Harms**, has been trained in the use of PenSoft Payroll Plus and will be conducting **training sessions for payroll clients** beginning in September. Be looking for more information on PenSoft and these training sessions in a *separate* mailing to payroll clients in late August.

Time to Order W2s for 2004!

The IRS is changing the format for 2004 W2s. Since Nelco has been our W2 supplier for many years, we will make necessary adjustments to MicroTel Payroll so you may continue using the W2 printing method you are accustomed to. Telfarm will again provide free W2 sets for clients with 20 or less to print on a first-come/first-served basis. Please inform us as soon as possible if you want the free forms from Telfarm so that we can order enough to meet the need. One W3 will be mailed with each order. Be sure to specify the following:



1. Telfarm Number
2. Number of W2 forms you need (20 or less)
3. Type of printer (Ink Jet or Dot Matrix)
4. Number of envelopes (one per employee)

If you ordered more than 20 Nelco W2s in the past, you should have received a 2004 Tax Forms catalogue with a reorder form for your convenience. Telfarm special pricing option has been discontinued, so the cost is as stated on your form and in the catalogue. Early order discounts from Nelco are as follows: 8/9/04 – 20%; 9/27/04 – 15%; 11/8/04 – 10%.

We will be mailing a W2 information letter with more details to all Payroll clients in late July.

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News

Telfarm Calendar

Monday, July 5

- Telfarm Center closed for July 4 Holiday

Tuesday—Thursday, July 20—22

- Ag Expo on the MSU Campus

*Stop by and see us
at Booth #24 on Third Street!
Enter to win \$50 toward
next year's enrollment or programs!*

Monday, September 6

- Telfarm Center closed for Labor Day Holiday

Telfarm Center

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- Or contact your local MSU Extension Agent -



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