



Newsletter

VOLUME 6, No. 2

APRIL 2006

Telfarm 2006 Participation Awards

Telfarm annually recognizes cooperators of long-term participation in the farm financial records program. The following clients are recipients of our 2005 Awards:

50 Years of Participation:

Bren-Way Farms, Allegan County
James Nash Farms, Ionia County
Lloyd Darling & Sons, Jackson County

25 Years of Participation:

Maplehurst Farms, Antrim County
Russ/Janice Costanza, Berrien County
Myers Dairy Farm, Hillsdale County
Heffron Farms, Kent County
Kevin Bollinger, Montcalm County
Holger LRS Farm, Osceola County

Each farm will receive a presentation plaque for this milestone. We extend a sincere "thank you" to these farm families for their continued participation with Telfarm and MSU Extension.

March Around Michigan: Spring Workshops Completed

Presenting the software workshops in March was a great time for our Telfarm Director, Larry Borton, to travel around Michigan, meet people, share some knowledge, get stumped by questions, and then formulate some changes in our programs.

Each workshop was different and, at times, Larry was joined by other Telfarm staff members: Judy Pfaff, Bob Nevius and Nancy Harms. The high knowledge level of the many clients who attended the workshops was impressive and our staff was amazed and encouraged by how much people have learned about using technology.

Some issues that came up in the workshops are addressed elsewhere in this newsletter: using Checkwriter, payroll summaries for migrant/seasonal workers, and patronage dividends. Future newsletters may include topics such as insurance receipts, tax deposits, accounting or payroll reports, reconciling cash, and tracking assets or liabilities. — LB



Current Software Versions	<i>TfW Accountant/Checkwriter</i> ®	1.4.3 or higher
	<i>Telfarm PAL</i> ®	2.0.4
	<i>PENSOFT PAYROLL PLUS</i> ®	3.05.0102 or higher
	Update Online: www.canr.msu.edu/telfarm and/or www.pensoft.com	

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Ag Expo 2006

comes to the MSU Campus
July 18-20, 2006!



Stop by and see us in **TENT A** and enter a drawing to **win \$50** toward your choice of additional software programs or a discount on your 2007 Telfarm Annual Enrollment fee. We hope to see you there!

Entering Patronage Dividends in TFWA

Tax treatment of cooperative's patronage dividends, capital retains and capital allocations varies; let's look at three situations. Typically a \$1,000 patronage dividend, for example, is considered "qualified" and at least 20%, or \$200, is distributed as a check while the rest is allocated. In this situation, it is all taxable to the member and can be entered in two ways. Using transactions of PATDIV for \$200 and NONPATDIV for \$800 correctly increases the accounting checkbook by \$200 and taxable income on the 1040F by \$1,000. Another way is to enter PATDIV for \$1,000 and loan \$800 to an asset account in order to track it. Either way, when this non-cash, taxable income is received in the future, the transaction RECD is used so that it is not taxed a second time.

A second situation occurs when a capital retain is taken monthly from gross sales. It could be entered monthly as LOAN to an asset account and it would be correct for taxes and your annual balance sheet but does not show up in line 5 of Schedule 1040F. One cooperative recommends taking it as a marketing expense each month, MKT or MKTMILK, then you would total the whole amount of capital retains for the year as PATDIV and then LOAN the same amount to an asset account.

A third situation occurs when a check for a patronage dividend is issued and the rest of the allocation is "nonqualified." The check amount is considered income when received by the customer and goes in as PATDIV. The non-cash portion of the allocation is not considered income until the customer receives a check at some future time (if ever). It is ignored for income tax purposes. Of course, the nonqualified allocation does not increase the customer's income nor does it decrease the cooperative's taxable income.

If a 1099 PATDIV or substitute is issued, then the amount of the PATDIV that is taxable (lines 1-4 on the 1099) must show on the 1040F on line 5 or you may get a letter from the IRS. Their computers are great at matching 1099s with tax returns. In all cases, be sure you don't forget to report taxable income, and don't pay income taxes on it twice. —LB

TfWA, Checkwriter Patches

Visit our web site at www.canr.msu.edu/telfarm to **download patches** for these **changes/additions**:

- GPROGNT (non-taxable federal program payments) and CALFPUR (non cash flow, taxable expense). After downloading, you must run "Update Chart of Accounts" (under "Manage" at the Startup Screen) to get these codes.
- Changed subtotaling of check numbers in *Lists* to include *Family Living* items.
- *Family Living* postings to check total in validating linked total.
- *Checkwriter* linking to *Accountant* changes.
- **CHECKWRITER Caution:** DO NOT USE "FILE MAINTENANCE" to clear old Checkwriter records. There is a problem with this that is currently under investigation. Version 1.4.3 deactivates "File Maintenance" so you do not accidentally use it.

Help for Linking Payroll

Linking PENSOFT PAYROLL PLUS[®] to *Telfarm for Windows Accountant*[®] is a **Custom Export** which requires two steps: **Step 1** – Export from Pensoft; **Step 2** – PAL to process the export file. If step 2 does *not* link the records to Accounting for some reason, then Step 1 has to be repeated with *different settings*. Instructions on how to link to TfWA after a failed attempt can be found in several places:

- **Telfarm** web site > **Payroll** button > **PAL (Payroll-Accountant Link > Corrective Linking**
- **PAL > Help > Linking PenSoft to Telfarm > select a topic**
- **Telfarm 2006 Master CD > Index to Help Documentation > PAL Tips**
- **PAL 2006 Master CD > Index to Help Documentation > PAL Tips**
- **PenSoft Manual > Custom Export**

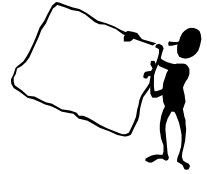
Payroll Statements & Documentation Requirements

⇒ Payroll Statement of Earnings

State and Federal laws require an employer to provide a detailed statement of earnings with each paycheck for each employee. It must include the employee's name, address, hours worked, pay basis, pay period dates, current and cumulative earnings and withholdings, deductions and purpose, hour and piece rate units. If you hire *migrant* and/or *seasonal* employees, the paycheck stub or summary must also include the employer's name, address and FEIN as well as the employee's SS#. In *PenSoft Payroll Plus* this information may be selected as an option on the plain paper summary report, which can be used as a statement of earnings. For detailed instructions go to Telfarm's web site at www.canr.msu.edu/telfarm, click on **Payroll > Telfarm and PenSoft > Statement of Earnings**. Alternately, ask your check supplier to print this information on the check stub for new check stock.

⇒ Deduction Documentation Requirements

If you make non-required deductions (not mandated by tax laws or a court) from an employee's paycheck in order to reimburse the company for things like rent, gas, supplies, loans, etc., the employee must sign that they agree to the deduction. In *PenSoft Payroll Plus* you may add a check message which will appear on the plain paper summary report. Here is a suggestion for the message:



_____Signature [Firma]
I agree that all non-tax deductions are correct.
[Yo estoy de acuerdo que las deducciones de impuesto son correctas.]

This will appear on each employee's summary, but it only requires a signature if a non-tax deduction is actually made. The employee does not have to sign if the deduction is for court-mandated withholdings like Friend of the Court or wage garnishments. You may wish to print two copies: keep one copy of this summary with the employee's signature for your files and give the other to the employee. For detailed instructions go to Telfarm's web site, www.canr.msu.edu/telfarm, **Payroll > Telfarm and PenSoft > Deduction Documentation**. —NH

Payroll Tip – UA1017 Unemployment Report

If you are required to submit the Michigan Unemployment 1017 Report quarterly, the payroll program will generate it for you.

Go to the **Reports** tab > **Tax Reports > State Reports > MIUIA 1017 Wage Detail**. When displayed on the screen, check to be certain that the following items are included: *Company Name and Address, Employer FEIN, Employer Unemployment number, a list of subject employees with SSNs, and the amount earned during the quarter*.

If any of this information is missing or incorrect, go to **Company Button > Modify > State Setup**. *State of Michigan* should be displayed. The UIA account number is a 7 digit number followed by a space or dash and the 3 digit "multi-unit code". The multi unit code must be 3 zeros (000) unless you are reporting more than one business on the same form. For example, if your State UIA number is 1133557, then the entry in the Unemployment Insurance Account Number box should look like this: **1133557 000**. If the zeros are not included, your report may be rejected. You may enter or change your quarterly rate at any time if the state of Michigan changes it. —NH

Checkwriter Corrections

Go to **Help > Contents > Corrections > Correcting a Printed Check** (Checkwriter) or **Correcting a Transaction**. If you saved the invoice screen and find that your postings don't balance to the invoice, close the record with **X**, then re-open that transaction again. This will allow the use of the **Edit Post** and **Add Post** buttons.

Telfarm PAL Tips

Check the **Help** screens in PAL for items such as unemployment, changing check styles, New Hire Reporting, piece rate setup and reports that are equivalent to previous Telfarm payroll reports.

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NEWS

Telfarm Calendar

Monday, May 29

- MSU & Telfarm Center closed for Memorial Day Holiday

Monday-Tuesday, July 3-4

- MSU & Telfarm Center closed for July 4th Holiday

July 18-20

- Ag Expo on the MSU Campus

*Stop by and see us in **Tent A** and enter to win \$50 toward next year's enrollment or programs!*

Monday, September 4

- MSU & Telfarm Center closed for Labor Day Holiday

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- Or contact your local MSU Extension Agent -

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