

Chapter Chatter

VOLUME 17, ISSUE 3

MARCH 2002

INSIDE THIS ISSUE:

Speaker Schedule	2
Identify Theft	2
2002 Mileage rates	3
FUTA Tax cut?	3
More benefits?	3
Frequent Flier Miles	4
President's Proposed 2003 budget	5
Community Service	6
I've Learned....	7
Use it or Lose it	8

Meeting Review By Jane McDonald, CPP

Do you know how to plan for your payroll departments revisions?

“Strategic Planning for Payroll” said Lucy Kay Price at the February 28th monthly meeting of the Houston Chapter-APA, will help you plan and implement your payroll departments revisions.

In her unique motivational message, Lucy shared her knowledge and experience of how to define the process of communicating and streamlining your mission, goals and objectives. Her presentation provided proven processes and models for designing not-so-mysterious methods that are sure to help you in your ever-changing landscape of the payroll industry. With a basic understanding of and a systematic approach to handling projects outside of the normal business day, these tools will allow you to intelligently plan the steps to take to produce a better outcome.

Lucy’s career is an example of how to never refuse or accept defeat and how to overcome insurmountable odds to achieve your goals. With emphasis on the practical application of complex situations, she inspires everyone to be professionally accountable. She was instrumental in the APA Houston Chapter obtaining the chapter’s charter, and was one of the organizers of the chapter’s first of many subsequent successful CPP Study Groups. Lucy Key Price is Director, Engagement Management, with CDG & Associates, Inc. and international firm specializing in human resources consulting, applications selections, and implementations. Lucy currently serves as President-Elect of the American Payroll Association, and assumes the Presidency in May at the 20th annual congress in San Antonio.

GOVERNMENT CONNECTION

Nola Wills
Government Liaison Officer

Do you have a payroll question or questions that need answering?

Have you received a different answer to the same question from two or more individuals?

Would you like to have your question(s) answered by the government? What questions do you have for the Texas Workforce Commission? IRS? SSA? Or DOL?

Here is your chance!!

Please email your questions to me at nwills@aerostaffservices.com by March 15, 2002. I will present your questions to the appropriate government office. If you have a question, probably numerous other members of the chapter will benefit from the answer also.

We will try to print all of your questions and the government’s answer in the April or May issue of *Chapter Chatter*. Of course, your company’s name will be anonymous.



God Bless America!

Happy Birthday!

Day	Party Person
03/03	Zina S. Hayes
03/04	Wen Price
03/08	Dee Stripling, CPP
03/09	Nora J. Crist-Fuentes, CPP
03/10	Christina Walsh
03/12	Sandra Wilkinson, CPP
03/14	Sheila M. Moody
03/14	Quida Shackelford, CPP, CPA
03/15	Clayton Forbes, CPP
03/18	Diane K. Cumberland
03/19	Nancy Anglin
03/20	Bonnie Glugla, CPP
03/21	Candance Blair-English
03/24	Lisa K. Pennington, CPP
03/25	Melodie K. Hebert, CPP
03/28	Tina Elmore
03/30	Danna Cresap, CPP



**MARK YOUR CALENDERS
Scheduled Speakers at Monthly
HCAPA Meetings**

March (Lunch) 03/28/02	Michael Jones Exult "Management Skills for the New Millennium"
April (Dinner) 04/25/02	Amy Bryant, CPP A. Bryant Consulting "Update on Texas Child Support Issues"
May - (Dinner) 05/23/02	Jim O'Connell Ceridian "Legislative Updates"
June 06/27/02	TBA—(Lunch)
July (Breakfast) 07/25/02	Mary Morrison Madison Benefits Group "Legislative Update: Benefit Plans"
August (Dinner) 08/29/02	Patty Lake, CPP, CPA, CTP Exult, Inc. "Customer Service in Payroll"
September	TBA —(Lunch)
October (Dinner) 10/24/02	Vince Pinto Ceridian "Time and Attendance"
November (Lunch) 11/21/02	Debbie Forsythe Social Security Administration "What's New at SSA"

With identity and credit card theft becoming a national scourge, here's a timely suggestion.

Place the contents of your wallet on a photocopy machine and copy both sides of each license, credit card, etc. In case of a theft, you'll know what you had in your wallet, all of the account numbers *and* the phone numbers to call to cancel. Keep the photocopy in a safe place.

Here's a checklist of actions to take.

- ♣ Cancel your credit cards immediately. The key is having the toll free numbers and your card numbers handy so you know whom to call. Keep a list where you can find it easily.
- ♣ File a police report immediately in the jurisdiction where it was stolen. This proves to credit providers you were diligent, and is a first step toward an investigation (if there ever is one).
- ♣ Call the three national credit reporting organizations immediately to place a fraud alert on your name and social security number. The alert means any company that checks your credit knows your information was stolen and they have to contact you by phone to authorize new credit.
- ♣ If your social security number has been stolen, notify the Social Security Administration fraud line.

National Credit Reporting Organizations:

- Equifax: 1-800-525-6285
- Experian (formerly TRW): 1-888-397-3742
- Trans Union: 1-800-680-7289

General Colin Powell's Rules to Live By:

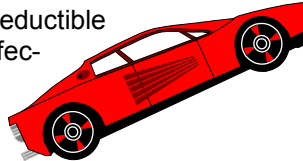
1. It ain't as bad as you think. It will look better in the morning.
2. Get mad, then get over it.
3. Avoid having your ego so close to your position that when your position falls, your ego goes with it.
4. It can be done!
5. Be careful what you choose. You may get it.
6. Don't let adverse facts stand in the way of a good decision.
7. You can't make someone else's choices. You shouldn't let someone else make yours.
8. Check small things.
9. Share credit.
10. Remain calm. Be kind.
11. Have a vision.
12. Don't take counsel of your fears or naysayers.
13. Perpetual optimism is a force multiplier.

FYI

IRS ANNOUNCES 2002 STANDARD MILEAGE RATES

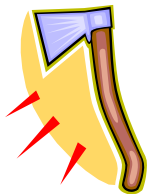
WASHINGTON – The Internal Revenue Service today announced the optional standard mileage rates to use for 2002 in computing the deductible costs of operating an automobile for business, charitable, medical or moving expense purposes.

The amounts for the various deductible costs for use of a car will be effective January 1, 2002, and are as follows:



- ♣ The standard mileage rate for the cost of operating a car is 36.5 cents a mile for all business miles driven. The rate for 2001 was 34.5 cents a mile.
- ♣ The standard mileage rate for the use of a car when giving services to a charitable organization remains at 14 cents a mile.
- ♣ The standard mileage rate for use of your car for medical reasons is 13 cents a mile. The previous rate was 12 cents a mile.
- ♣ The standard mileage rate to use when computing deductible moving expenses is 13 cents a mile. The previous amount was 12 cents a mile.

The primary reason for the mileage rate increases is the rise in gasoline prices during the past year. The standard mileage rates for business, medical and moving purposes are based on an annual study of the fixed and variable costs of operating an automobile.



BUSH PLANS FUTA TAX CUT, STATE FINANCING OF UI COSTS

As part of "long-term" reforms to the federal unemployment system, President Bush has asked Congress to cut payroll taxes under the Federal Unemployment Tax Act by 75 percent in his fiscal 2003 budget request.

The proposal would shift the responsibility for financing unemployment insurance to the states. That transition would be phased in over five years, the same time period slated for the FUTA tax cut, Assistant Secretary for Employment and Training Emily DeRocco stated at a briefing.

25 Percent Payroll Cut in First Year

Employers currently pay 0.8 percent of the first \$7,000 in employees' wages to the federal government. The money goes into the federal unemployment trust fund and is used for federal oversight of the state-run benefits program. Bush has proposed cutting that tax to 0.2 percent by January 2007. Under Bush's plan, the FUTA tax would decrease to 0.6 percent on Jan. 1, 2003.



STIMULUS BILL FAILS; EXTENDED UI BENEFITS PASSES

Following the defeat of the stimulus bill, the Senate unanimously approved a stand-alone measure to provide a 13-week extension of unemployment insurance to individuals who exhaust their current benefits.

After failing to secure the votes to limit further debate on legislation, Senate Majority Leader Thomas Daschle (D-S.D.) pulled the plug on his scaled-back economic recovery proposal for individuals who did not receive tax rebates under the \$1.35 trillion tax cut law enacted in 2001 (Pub. L. No. 107-16). Daschle's proposal also would have provided 13 weeks of extended unemployment benefits to workers who have exhausted their regular benefits.

Extended Unemployment Benefits

The Senate on Feb. 6 passed a bill which would give 13 weeks of federally funded unemployment benefits to workers who have exhausted their regular 26-week benefits. The following day, House Majority Leader Richard Arney (R-Texas) said House leaders might try to add tax provisions to the bill (H.R. 622).



KENNEDY PROPOSES EMPLOYER-PAID SICK LEAVE, OTHER BENEFITS

Senate Health, Education, Labor, and Pensions Committee Chairman Edward Kennedy (D-Mass.) said that he will advocate in 2002 legis-

(Continued on page 5)

Ana Veal's a grandmother again!

Casey Lauren Hoppe-Veal
Born February 10
7 lb 3 oz - 20"

It's a girl!

**Grandma, Mama, and
 Baby Casey are all
 happy and healthy.**



California Law Accommodates Nursing Mothers

Effective January 1, 2002, state employers must provide a "reasonable amount" of break time to accommodate nursing mothers who wish to express (or pump) breast milk for their infants. A private location for this purpose must be provided near the employee's work area; a toilet stall is unacceptable.

DOL SEEKS TO SIMPLIFY STUDENT HIRING; PROMOTE STUDENT MINIMUM WAGE

The Department of Labor's Wage and Hour Division is proposing a new application form for employers seeking to hire six or fewer full-time students at an hourly rate of not less than 85 percent of the current minimum wage rate. The "simplified" application (WH-202) requests less information than that required on the current form (WH-200), according to a notice published in the Feb. 19 Federal Register. For instance, it does not require a monthly or annual comparison of the total hours all employees worked to the hours full-time students worked at a sub-minimum wage.

In an effort to limit restrictions on job opportunities, the Fair Labor Standards Act allows the employment of full-time students at special, lower wages in retail and service establishments, agriculture, and at the higher education institutions

New Overtime Exemptions for Computer Professionals, Doctors

The California state Division of Labor Statistics and Research has set the new minimum hourly rate for computer professionals to be exempt from overtime at \$42.64 per hour. Under state law, this rate will be updated annually. Separately, licensed physicians and surgeons whose hourly pay is at least \$55 an hour are now exempt from overtime under SB 1208 which was signed into law.

The new law does not apply to interns, residents, or physicians covered by a collective bargaining agreement.

IRS WILL NOT TAX PERSONAL USE OF FREQUENT FLIER MILES FROM BUSINESS TRAVEL

The Internal Revenue Service said it will not attempt to tax frequent flier miles received for business travel but used for personal purposes, according to Announcement 2002-18, released Feb. 20. IRS said questions have been raised concerning the taxability of frequent flier miles since Congress had recently approved a law allowing federal employees to keep for personal-use frequent flier miles they earned for official travel.



IRS has not attempted to tax frequent flier miles, the agency said, because of numerous technical and administrative issues, including the timing and valuation of income and the tracing of benefits to business or personal expenditures. Any future guidance issued in this area will apply prospectively, IRS said. The topic has come up in the past as a payroll issue.

The relief provided in Announcement 2002-18 does not apply to benefits converted to cash, to compensation paid as travel or other benefits, or to benefits used for tax avoidance, IRS said.

the students attend. Employers must apply to the Labor Department for special certificates before hiring full-time students in these occupations and paying them less than the minimum wage.

President's 2003 budget proposal contains payroll-related items

President Bush, on February 4, 2002, unveiled his proposal for the fiscal 2003 budget. The proposal contains several payroll-related items which are summarized below.

Income tax rate decrease. Under the plan, there would be an acceleration of the reduction in individual marginal tax rates for the 25% bracket. This was the same decrease contained in the stimulus bills passed twice by the House.

FUTA decrease. The Federal Unemployment Tax Act (FUTA) surtax of 0.2% would be eliminated in 2003 (currently set to expire in 2007). The President also proposes to make additional rate cuts to achieve a net FUTA tax rate of 0.2% by 2007. FUTA would be maintained at 0.2% of the first \$7,000 in wages, compared with the current total rate of 0.8%.

Work Opportunity Tax Credit (WOTC). The WOTC would be extended for two years. The credit would be available for workers hired after December 31, 2001, and before January 1, 2004.

Welfare-to-Work tax credit. The Welfare-to-Work tax credit would be extended for two years. The credit would be available for workers hired after December 31, 2001, and before January 1, 2004.

Archer MSAs. The Archer MSA program would become permanent and would be expanded. The program is currently set to expire December 31, 2002. Effective after December 31, 2002, the 750,000 cap on the number of accounts would be repealed. The program would be expanded by (1) expanding eligibility to include all individuals and employees of firms of all sizes covered by a high deductible plan, (2) modifying the definition of high deductible to permit a deductible as low as \$1,000 for policies covering a single person and \$2,000 in all other cases, (3) increasing allowable tax-preferred contributions to 100% of the deductible, (4) allowing tax-preferred contributions by both employers and employees for a particular year, up to the applicable maximum, (5) allowing contributions to MSAs under cafeteria plans, and (6) permit-

ting qualified plans to provide, without counting against the deductible, up to \$100 of coverage for allowable preventive services per covered individual each year.

Flexible spending arrangements. The proposal would allow up to \$500 per year in unused benefits to be carried forward to the next year. In addition, benefits carried forward could be (1) distributed to the employee in the form of taxable income, (2) contributed to an Archer Medical Savings Account (MSA), or (3) contributed to a retirement plan. Both provisions would be effective for plan years beginning after December 31, 2003.

Exemption for caretakers. An additional personal exemption would be allowed for home caretakers of family members, effective for tax years after December 31, 2003.

Source: CCH Online



(Continued from page 3)

tion requiring employers to provide paid sick leave and basic health insurance for their workforces.

Kennedy is proposing a work-family agenda that embraces a new model of the workplace, one that "values the needs of parents and all other caretakers," according to the proposal. As part of that agenda, Kennedy is proposing that "all workers should have a minimum amount of paid sick leave as a basic right," according to the document.

While Kennedy's work-family agenda focuses mainly on paid health insurance and sick leave, it also calls for limitations on mandatory overtime, greater protections for part-time workers, and an increase in the federal minimum wage.



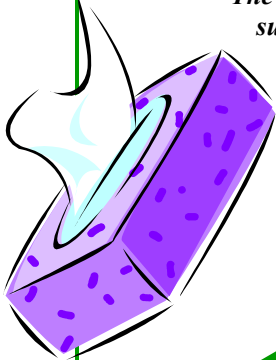
Community Service

In the past Houston chapter members and friends have given generously to help those in need in our community. You, too, can be a part of another generous year by making your contributions.

These community service projects continue throughout the year.

The Houston Chapter of the American Payroll association will be collecting school supplies, tissues, clothes, cash and anything else that you would like to donate to the children who attend Atherton Elementary School.

We are again collecting aluminum can pop-tops. The proceeds go to support the Houston Ronald McDonald House.



At the February meeting, attendees generously donated \$402 to the American Heart Association in memory of HCAPA member Gail Jeter.



"No one is useless in this world who lightens the burden of it to anyone else."
-- Charles Dickens



Meeting	Organization	Project
March	♣ Diabetes Foundation	♣ Cash donations
April	♣ March of Dimes	♣ Cash donations
May	♣ Veterans Hospital	♣ Cash donations
June	♣ Special Olympics	♣ Cash donations
July	♣ Atherton Elementary School	♣ School Supplies, tissues or cash donations for the children who attend Atherton Elementary School
August	♣ Ronald McDonald House Charity Event – Pop-Top Tab Collection	♣ Pop-top Tabs from Aluminum cans – Proceeds will go towards the General Operating Fund of the Houston Ronald McDonald House
September	♣ Depelchin Children's Center	♣ Cash donations
October	♣ Dress for Success	♣ Professional clothes and/or cash to assist women entering the work force.
November	♣ Houston Food Bank	♣ Dry foods and can goods
December	♣ Toys for Tots	♣ New toys

ENLIGHTENED PERSPECTIVE

By Andy Rooney

I've learned.... That the best classroom in the world is at the feet of an elderly person.

I've learned.... That when you're in love, it shows.

I've learned.... That just one person saying to me, "You've made my day!" makes my day.

I've learned.... That having a child fall asleep in your arms is one of the most peaceful feelings in the world.

I've learned.... That being kind is more important than being right.

I've learned.... That you should never say no to a gift from a child.

I've learned.... That I can always pray for someone when I don't have the strength to help him in some other way.

I've learned.... That no matter how serious your life requires you to be, everyone needs a friend to act goofy with.

I've learned.... That sometimes all a person needs is a hand to hold and a heart to understand.

I've learned.... That simple walks with my father around the block on summer nights when I was a child did wonders for me as an adult.

I've learned.... That life is like a roll of toilet paper. The closer it gets to the end, the faster it goes.

I've learned.... That we should be glad God doesn't give us everything we ask for.

I've learned.... That money doesn't buy class.

I've learned.... That it's those small daily happenings that make life so spectacular.

I've learned... That under everyone's hard shell is someone who wants to be appreciated and loved.

I've learned.... That the Lord didn't do it all in one day. What makes me think I can?

I've learned.... That to ignore the facts does not change the facts.

I've learned.... That when you plan to get even with someone, you are only letting that person continue to hurt you.

I've learned.... That love, not time, heals all wounds.

I've learned.... That the easiest way for me to grow as a person is to surround myself with people smarter than I am.

I've learned.... That everyone you meet deserves to be greeted with a smile.

I've learned.... That there's nothing sweeter than sleeping with your babies and feeling their breath on your cheeks.

I've learned.... That no one is perfect until you fall in love with them.

I've learned.... That life is tough, but I'm tougher.

I've learned.... That opportunities are never lost; someone will take the ones you miss.

I've learned.... That when you harbor bitterness, happiness will dock elsewhere.

I've learned.... That I wish I could have told my Dad that I love him one more time before he passed away.

I've learned.... That one should keep his words both soft and tender, because tomorrow he may have to eat them.

I've learned.... That a smile is an inexpensive way to improve your looks.

I've learned.... That I can't choose how I feel, but I can choose what I do about it.

I've learned.... That when your newly born grandchild holds your little finger in his little fist, that you're hooked for life.

I've learned.... That everyone wants to live on top of the mountain, but all the happiness and growth occurs while you're climbing it.

I've learned ... That it is best to give advice in only two circumstances; when it is requested and when it is a life threatening situation.

I've learned.... That the less time I have to work with, the more things I get done.

**"It's not that I'm so smart, it's just that I stay with problems longer."
—Albert Einstein**

2002 Houston Chapter Board of Directors

...WHERE OUR
MEMBERS MAKE
THE DIFFERENCE

Contact us:

PO Box 27122
Houston, TX 77227-7122
Phone: 713-APA.8878
Website: www.
HoustonChapterAPA.org

President	Stuart Evans, CPP	281-286-3010	StuartEvans@ev1.net
President-elect	Carolyn Flores, CPP	281-999-5544	CFloresCPP@aol.com Carolyn@aerostaffservices.com
Secretary	Carolyn Trader, CPP	713-750-8410	Carolyn.Trader@EY.com
Treasurer	Karen Ward, CPP	713-270-2607	Karen.Ward@Kvaerner.com
Chapter Coordinator	Beth Jacobson, CPP	713-693-4256	Beth.Jacobson@Weatherford.com
Government Liaison	Nola Wills, CPP	281-999-5544	NolaW@aerostaffservices.com, LNWills@aol.com,

Flexible compensation council applauds proposed end to "use it or lose it" rule



The Employers Council on Flexible Compensation hailed President Bush's budget proposal that includes provisions to eliminate the onerous "use it or lose it" rule afflicting health care flexible spending accounts.

As described, the proposal would allow an employer's cafeteria plan health FSA to permit an employee to carry forward up to \$500 in unused funds to the next plan year. A second proposal would permit up to \$500 in unused funds to be cashed out to the employee or contributed to a retirement savings plan or MSA. Distributed funds would be taxable income and subject to the normal rules for the retirement plan participation.

The ECFC suggests that the "use it or lose it" rule has been detrimental to employee participation in health care reimbursement accounts, because employees fear losing their own money at the end of the year. The ability to cash out or roll over funds to a retirement savings plan or MSA is the logical next step to permitting workers to keep their own money. "Retirement savings is a critical issue for all employees and the taxation of funds rolled into those accounts appears to be counter-productive to the goal of long term savings," noted the Council.

Source: *HR Management Daily Document Update*

TREASURY OFFICIALS SAY SPLIT-DOLLAR INSURANCE, GOLDEN PARACHUTE GUIDANCE EXPECTED SOON

Comprehensive proposed regulations on split-dollar life insurance are expected to be issued by the end of March, and new golden parachute payment rules also will be issued soon, Treasury Department officials said Feb. 12 during an American Bar Association satellite broadcast on employee benefits.

In January, the Internal Revenue Service revoked a 2001 notice on split-dollar life insurance arrangements and provided assurances that it will not change the general rules for taxing split-dollar arrangements until it issues final regulations (Notice 2002-8). The proposed regulations are expected to address the numerous concerns expressed by commenters to the 2001 notice.

For golden parachute payments, which can involve stock options, IRS decided to issue new proposed rules rather than finalizing proposed rules issued in 1989 because new issues have been identified and others still are surfacing in situations like recent bankruptcies, Elizabeth Drigotas, attorney-adviser to Treasury Department Benefits Tax Counsel, said during the broadcast. Drigotas said she would not expect a major shift in the new regulations concerning the valuing of stock options from the 1989 proposed regulations, in which the issue of statutory stock options was reserved, but she has heard from people who said it can be difficult to value options.

