



July 17, 2005

We are writing to make you aware of two significant changes to wage and hour guidelines and IRS interpretations. The minimum wage has been increased to \$6.15/hour and the interpretations around independent contractors have evolved.

The two changes outlined below most significantly affect CDCS plans that use 24-hour respite staffing (and CDCS non-employee respite). Please review the enclosed information and complete the attached checklist. ***You must complete the checklist and return it to PICS before using any respite services after 8/1/05.***

First, under the newest IRS interpretations, PICS can no longer pay respite staff as independent contractors (i.e. CDCS non-employee respite paid through an expense report). Completing the 1099 is not sufficient under these circumstances; employer taxes and fees must be paid for this class of employee. Please review the enclosed information for details. ***If they have not already done so, all of your respite staff will need to be hired as employees.*** All employment paperwork outlined on the "new employee checklist," including the original, notarized background check authorization form, must be completed and submitted to PICS before work begins. Please contact us if you need more new employee packets.

Second, if you use a 24-hour respite rate (i.e. CDCS non-employee respite) the minimum wage increase affects you and your staff. Please review the attached checklist with each of your respite staff to determine what steps you need to take – call us if you have any questions. You may need to change the rate of pay ***or*** sign an agreement with your staff that sleep hours are not paid. ***You will need to complete the enclosed checklist with each respite staff before we can pay additional respite wages to that person.***

Please review, complete, and return the attached checklist to PICS as soon as possible. These changes may require a revision to your budget; we will contact you to complete any needed revisions. We're committed to these changes creating minimum disruption in your respite services. Don't hesitate to call us for additional new employee packets or with any questions you have about this information. Thanks for your cooperation!

Sincerely,

Anne Roehl
Director of Programs
954-854-6364, ext. 107