

1991



Department of the Treasury
Internal Revenue Service

Instructions for Form W-2

Wage and Tax Statement

Paperwork Reduction Act Notice.—

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is 30 minutes. If you have comments concerning the accuracy of this time estimate or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer T:FP; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0008), Washington, DC 20503. DO NOT send the tax form to either of these offices. Instead, see the instructions below for where to file it.

Changes You Should Note

Separate Reporting of Social Security Wages, Medicare Wages and Tips, Social Security Taxes, and Medicare Taxes.—

Beginning in 1991, the wage bases for the two parts of the social security tax (social security and Medicare) are different. Employers can no longer combine and report the withholding as a single amount. The **Form W-2**, Wage and Tax Statement, for 1991 will require employers to separately report the withholding for social security and Medicare.

The wage bases are \$53,400 for social security (old age, survivors, and disability insurance) and \$125,000 for Medicare (hospital insurance). For social security, the tax rate is 6.2% each for employers and employees. For Medicare, the rate is 1.45% each for employers and employees. In addition, there are changes to the codes for Box 17.

Obsolete Form W-2P.—Form W-2P, Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA Payments, is obsolete. For 1991, payers must report distributions (periodic and total) from pensions, annuities, retirement pay, profit-sharing plans, IRAs, SEPs, and insurance contracts on **Form 1099-R**, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. See the separate Instructions for Forms 1099, 1098, 5498, and W-2G, for more information.

Use **Form W-2c**, Statement of Corrected Income and Tax Amounts, to report corrections on Form W-2P for years ending before January 1, 1991.

State and Local Government Employees.—

State and local government employees who are not participants in a retirement program (with certain exceptions) will be subject to social security and Medicare taxes for services performed after July 1, 1991.

Reporting of Taxes for Group-Term Life Insurance Coverage.—

Beginning in 1991, employers are required to report on Form W-2 any uncollected social security and Medicare taxes on group-term life insurance in

excess of \$50,000 provided to former employees (including retirees). (Information on reporting these taxes is included in items (g) and (h) in the instructions for Box 17).

General Instructions

(Section references are to the *Internal Revenue Code* unless otherwise noted.)

Who Must File Form W-2.—Form W-2 is filed by employers. (See **Circular A**, Agricultural Employer's Tax Guide, or **Circular E**, Employer's Tax Guide, Household Employers, see **Form 942**, Employer's Quarterly Tax Return for Household Employees.) If you have 250 or more Forms W-2, see instructions for *Magnetic Media Reporting* on the next page.

When To File.—File Form W-2 with accompanying **Form W-3**, Transmittal of Income and Tax Statements, by March 2, 1992.

If you need an extension of time to file Form W-2, see *When To File* in the instructions for Form W-3.

Where To File.—See Form W-3 for instructions.

Calendar Year Basis.—The entries on Form W-2 must be based on a calendar year.

Taxpayer Identification Numbers.—We use these numbers to check the payments you report against the amounts shown on the employees' tax returns. **When you prepare Form W-2, be sure to show the correct social security number on the form or on magnetic media.**

Persons in a trade or business use an employer identification number (00-0000000). Individuals use a social security number (000-00-0000). When you list a number, please separate the nine digits properly to show the kind of number.

Sole proprietors who are payers should show their employer identification number on the statements they prepare. But if you prepare a statement showing payment to a sole proprietor, give the proprietor's social security number in Box 5 of Form W-2.

Please show the full name, address, and identification number of the payer and the recipient on the form. If you made payments to more than one individual, show on the first line **ONLY** the name of the recipient whose number is on the statement. Show the other names on the second line. If the recipient is **NOT** an individual and the name runs over the first line, you may continue on the second and following lines.

Note: *If your employee has been given a new social security card because of an adjustment to his or her alien residence status, which shows a different name or social security number, correct your records for 1991 and show the new information on the 1991 Form W-2. If you filed Form W-2 for the same employee in prior years under the old name and social security number, file Form W-2c, to correct the name and number. (See Corrections later.) In this case, one Form W-2 can be used to correct all prior years. Advise the employee to contact their local Social Security Administration (SSA) office to ensure their records have been updated.*

Statements to Employees.—Generally, give statements to employees by January 31, 1992. If employment ends before December 31, 1991, you may give copies any time after employment ends. If the employee asks for Form W-2, give him or her the completed copies within 30 days of the request or the final wage payment, whichever is later.

You may give statements to employees on government-printed official forms or on privately printed substitute forms.

Be sure that the statements you provide to employees are clear and legible (especially if using carbons).

A revenue procedure, titled "Specifications for Private Printing of Forms W-2 and W-3" reprinted as **Pub. 1141**, explains the format that must be used on all substitute paper forms. You can get a copy by calling 1-800-829-3676.

Corrections.—Use Form W-2c to correct errors on previously filed Form W-2. Use **Form W-3c**, Transmittal of Corrected Income and Tax Statements, to transmit the W-2c forms to the SSA. Instructions are on the forms.

If you are making an adjustment in 1991 to correct social security tax for a prior year, you must file **Form 941c**, Statement To Correct Information Previously Reported on the Employer's Federal Tax Return, with your **Form 941**, Employer's Quarterly Federal Tax Return, in the quarter you find the error and issue the employee a Form W-2c for the prior year.

Reissued Statement.—If an employee (or recipient) loses a statement, write "REISSUED STATEMENT" on the new copy, **but do not send Copy A of the reissued statement to SSA.**

Earned Income Credit Notification.—You must notify any employee not having income tax withheld that they may be eligible for an income tax refund because of the earned income credit. You can do this by using the official IRS Form W-2 which contains a statement on the back of Copy C concerning the earned income credit. If you use a substitute Form W-2, or you are not required to furnish Form W-2, or if you do not furnish a timely Form W-2 to your employee, you may have to give your employee **Notice 797**, Notice of a Possible Federal Tax Refund Due to the Earned Income Credit (EIC). Get **Pub. 1325** for more information.

Employee Business Expense

Reimbursements.—Reimbursements for employee business expenses should be reported as follows:

- Generally, payments made under an accountable plan are excluded from the employee's gross income and are not required to be reported on Form W-2. However, if you pay a per diem or mileage allowance, and the amount paid exceeds the amount treated as substantiated under IRS rules, you must report as wages on Form W-2 the amount in excess of the amount treated as substantiated. The excess amount is subject to income tax withholding, social security tax, Medicare tax, and Federal unemployment tax. Report the amount treated as substantiated (i.e., the nontaxable portion) in Box 17 using code "L."

Payments made under a nonaccountable plan are reportable as wages on Form W-2 and are subject to income tax withholding, social security tax, Medicare tax, and Federal unemployment tax.

For more information on accountable plans, nonaccountable plans, and amounts treated as substantiated under a per diem or mileage allowance, see Regulations section 1.62-2, Revenue Procedure 89-66, 1989-2 C.B. 792, Revenue Procedure 89-67, 1989-2 C.B. 795, Revenue Procedure 90-15, 1990-1 C.B. 476, Revenue Procedure 90-34, 1990-1 C.B. 552, Revenue Procedure 90-38, 1990-28 I.R.B. 13, and Announcement 90-127, 1990-48 I.R.B. 8.

Sick Pay.—If you had employees who received sick pay in 1991 from an insurance company or other third-party payer, and the third party notified you of the amount of sick pay involved, you must report the following on the employees' Forms W-2:

(a) in Box 9, the amount (if any) of income tax withheld from the sick pay by the third-party payer;

(b) in Box 10, the amount the employee must include in income;

(c) in Box 11, the employee social security tax withheld (6.2%) by the third-party payer;

(d) in Box 12, the amount of sick pay that is subject to employee social security tax;

(e) in Box 14, the amount of sick pay that is subject to employee Medicare tax;

(f) in Box 15, the employee Medicare tax withheld (1.45%); and

(g) in Box 17, the amount (if any) not includible in income because the employee contributed to the sick pay plan. See the instructions for Box 17 for the correct code to use.

You can include these amounts on the Forms W-2 you issue the employees showing wages, or you can give the employees separate Forms W-2 and state that the amounts are for third-party sick pay. In either case, you must show in Box 25 of Form W-3 the total amount of income tax withheld by third-party payers, even though the amounts are includible in Box 9. Also, see the instructions for Form W-3 for more information on third-party sick pay.

Magnetic Media Reporting.—If you file 250 or more Forms W-2, you must report on magnetic media unless you have been granted a waiver by the IRS.

If you are filing Form W-2 using magnetic media, you will also need **Form 6559**, Transmitter Report of Magnetic Media Filing, and **Form 6560**, Employer Summary of Form W-2 Magnetic Media Wage Information.

You can get magnetic media reporting specifications at many Social Security Administration offices or you may write to the Social Security Administration, P.O. Box 2317, Baltimore, MD 21235, Attn: Magnetic Media Group.

Note: If you file on magnetic media, do not file the same returns on paper.

Penalties.—A penalty may be imposed if a person either fails to file an information return or files with incorrect information.

The amount of the penalty is based on when the correct information returns are filed. The penalty is as follows:

• \$15 for each information return if the correct information is filed within 30 days after the due date with a maximum penalty of \$75,000 per year (\$25,000 for small businesses, defined later).

• \$30 for each information return if the correct information is filed more than 30 days

after the due date but by August 1, with a maximum penalty of \$150,000 per year (\$50,000 for small businesses).

• \$50 for each information return that is not filed at all or is not filed correctly by August 1, with a maximum penalty of \$250,000 per year (\$100,000 for small businesses).

Exceptions to the Penalty.—In general, the penalty will not apply to any failure that was due to reasonable cause.

In addition, the penalty will not apply to a de minimis number of failures. These failures are information returns that were filed timely but with incomplete or incorrect information and were corrected by August 1. The penalty will not apply to the greater of 10 information returns or 1/2 of 1% of the total number of information returns that are required to be filed for the year.

Definition of Small Business.—A small business is a firm with average annual gross receipts of \$5,000,000 or less for the 3 most recent taxable years.

Failure To Provide Employee Statement or Providing Incorrect Employee Statement.—A penalty may be imposed if a person either fails to furnish a payee statement by the due date or fails to include correct information on a payee statement. The penalty is \$50 for each failure. The maximum penalty for such failures is \$100,000.

Penalties for Intentional Disregard.—Higher penalties of at least \$100 per document may be imposed for intentional disregard of the filing, providing payee statements, and correct information return requirements.

How To Complete Form W-2

Copy A of Form W-2 is printed with two forms to an unperforated page. Send the whole page even if one of the forms is blank or void. If you are sending 42 or more Forms W-2, please show subtotals on every 42nd form for the preceding 41 forms to permit checking the transmittal totals.

Since this form is processed by optical scanning machines, please type the entries, if possible, using black ink. Please do not make any erasures, whiteouts, or strikeouts on Copy A. Also, do not use script type. **Make all dollar entries without the dollar sign and comma but with the decimal point (000.00).**

If possible, please file Forms W-2 either alphabetically by employees' last names or numerically by employees' SSNs. This will help SSA locate specific forms if there is a problem processing your submission.

The instructions below are for boxes on Form W-2. If an entry does not apply, leave it blank.

Box 1—Control number.—You may use this box to identify individual Forms W-2. You do not have to use this box.

Box 3—Employer's identification number.—Show the number assigned to you by IRS (00-0000000). This should be the same number that you used on your Federal employment tax returns (Forms 941, 942, 943). Do not use a prior owner's number.

Box 4—Employer's state I.D. number.—You do not have to complete this box, but you may want to if you use copies of this form for your state return. The number is assigned by the individual states.

This box is separated into two parts by a dotted line so that you may report two state I.D. numbers if you are reporting wages for two states. If you are only reporting for one state, enter the number above the dotted line.

Box 5—Employee's social security number.—Enter the number shown on the employee's social security card. If the employee does not have a card, he or she should apply for one at any SSA office.

Box 6—Check the boxes that apply.

Statutory employee.—Check this box for statutory employees whose earnings are subject to social security and Medicare taxes but **NOT** subject to Federal income tax withholding. (See Circular E for more information on statutory employees.)

Deceased.—Check this box if the employee is now deceased. If an employee is deceased, you must report wages or other compensation for services he or she performed and that were paid in the year of death to the estate or beneficiary. In addition, such wages received in a year after the year of death may be reportable on **Form 1099-MISC**, Miscellaneous Income. For information on how to report, see Rev. Rul. 86-109, 1986-2 C.B. 196.

Pension plan.—Check this box if the employee was an active participant (for any part of the year) in a retirement plan (including a 401(k) plan and a simplified employee pension (SEP) plan) maintained by you. Also check this box if the employee participates in a collectively bargained plan (i.e., union plan). See IRS Notice 87-16, 1987-1 C.B. 446, for the definition of an active participant. Do not check this box if you are reporting contributions made to a nonqualified pension plan or a section 457 plan.

Legal representative.—Check this box when the employee's name is the only name shown but is shown as a trust account (e.g., John Doe Trust), or another name is shown in addition to the employee's name and the other person or business is acting on behalf of the employee.

Representatives are identified by words such as "custodian," "parent," or "attorney"; sometimes the employee is identified as a minor, child, etc. Do **NOT** check this box if the address is simply in care of someone other than the employee (John Doe, c/o Jane Smith).

942 employee.—For household employers only. See Form 942 instructions for information on when to check this box.

Subtotal.—Do not subtotal if you are submitting 41 or less Forms W-2. If you are submitting **42 or more Forms W-2**, please give subtotal figures for every 41 individual forms. Check the "Subtotal" box on the form that shows the subtotal dollar amounts for the preceding 41 forms and for the last group of forms, even if less than 41 forms. Void statements are counted in order with good statements, **but do not include the money amounts from the void statements in the subtotal figures.** Subtotal statements should always be the last completed form on a page. The subtotal amounts to be shown are:

Boxes 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, and 22. However, in Box 17, subtotal only codes D, E, F, G, and H as one amount. See Box 17 instructions. Also, for Box 16, show one subtotal amount; that is, do not separate distributions from nonqualified plans (uncoded) and distributions from section 457 plans.

Example: An employer with Forms W-2 for 86 employees should show a subtotal on the 42nd statement, the 84th statement (showing the subtotal for statements 43 through 83), and the 89th statement (showing the subtotal for statements 85 through 88).

Deferred compensation.—Check this box if you made contributions on behalf of the employee to a section 401(k), 403(b), 408(k)(6), 457, or 501(c)(18)(D) retirement plan. See also instruction “(d)” under Box 17.

Void.—Put an X in this box when an error has been made. (Be sure the amounts shown on void forms are NOT included in your subtotals.)

Box 7—Allocated tips.—If you are a large food or beverage establishment, show the amount of tips allocated to the employee. (See the instructions for Form 8027, Employer’s Annual Information Return of Tip Income and Allocated Tips.) **DO NOT** include this amount in Box 10 (Wages, tips, other compensation), Box 13 (Social security tips), or Box 14 (Medicare wages and tips).

Box 8—Advance EIC payment.—Show the total amount paid to the employee as advance earned income credit payments.

Box 10—Wages, tips, other compensation.—Show in Box 10 (excluding elective deferrals), before any payroll deductions, the following items:

(1) Total wages paid during the year. For example, if the employee worked from December 24, 1990, through January 4, 1991, and the wages for that period were paid on January 7, 1991, include those wages on the 1991 Form W-2;

(2) Total noncash payments (including fringe benefits);

(3) Total tips reported;

(4) Certain employee business expense reimbursements (See *Employee Business Expense Reimbursements* on page 1.); and

(5) All other compensation, including certain scholarships and fellowship grants and payments for moving expenses. Other compensation is amounts that you pay your employee from which Federal income tax is not withheld. If you prefer, you may show other compensation on a separate Form W-2.

Except for section 501(c)(18) contributions, contributions made to deferred compensation arrangements should not be included in Box 10. Also see instructions for Box 17, item “(d).”

Note: *Payments to statutory employees that are subject to social security and Medicare taxes but not subject to Federal income tax withholding must be shown in Box 10 as other compensation.* (See Circular E for definition of a statutory employee.)

Box 11—Employee social security tax withheld.—Show the total employee social security tax (not your share) withheld or paid by you for the employee. The amount shown should not exceed \$3,310.80. Include only taxes withheld for 1991 wages.

Box 12—Social security wages.—Show the total wages paid (before payroll deductions) subject to employee social security tax but **NOT** including social security tips and allocated tips. Generally, noncash payments are considered wages. Include employee business expenses reported in Box 10. Also, include contributions to certain qualified cash or deferred compensation arrangements, even though the contributions are not includible in Box 10 as wages, tips, and other compensation. (See Circular E for more information.) Include any employee social security tax, Medicare tax, and employee state unemployment compensation tax you paid for your employee rather than deducting it from wages except for household or agricultural employees. (See Revenue Procedure 81-48, 1981-2 C.B. 623, for details.) **The total of Boxes 12 and 13 should not be more than \$53,400** (the maximum social security wage base for 1991).

Box 13—Social security tips.—Show the amount the employee reported even if you did not have enough employee funds to collect the social security tax for the tips. The total of Boxes 12 and 13 should not be more than \$53,400 (the maximum social security wage base for 1991). But report all tips in Box 10 along with wages and other compensation.

Box 14—Medicare wages and tips.—The wages and tips subject to Medicare tax are the same as those subject to social security tax (Boxes 12 and 13), except that the wage base for Medicare is \$125,000. Enter the Medicare wages and tips in Box 14, but do not enter more than \$125,000. Be sure to enter tips the employee reported even if you did not have enough employee funds to collect the Medicare tax for those tips.

If you are a Federal, state, or local agency with employees paying only the 1.45% Medicare tax, enter the Medicare wages in this box. File one Form W-3 for wages subject only to the Medicare tax, and a second Form W-3 for wages subject to both social security and Medicare taxes.

The following is an example of how to report social security and Medicare wages in Boxes 12 and 14. Assume you paid your employee \$100,000 in wages. The amount shown in Box 12 (social security wages) should be 53400, but the amount shown in Box 14 (Medicare wages and tips) should be 100000. If the amount of wages paid was less than \$53,400, the amounts entered in Boxes 12 and 14 would be the same.

Box 15—Medicare tax withheld.—Enter the total employee Medicare tax (not your share) withheld or paid by you for your employee. The amount shown should not exceed \$1,812.50. Include only taxes withheld for 1991 wages. If you are a Federal, state, or local agency, with employees paying only the 1.45% Medicare tax, enter the Medicare tax in this box.

Box 16—Nonqualified plans.—Show the total amount of distributions to your employee from a nonqualified plan or a section 457 plan. This amount should also be included as wages in Box 10.

State and local agencies should separately identify section 457 distributions in this box by using code “G” before the dollar amount. However, if you are reporting a distribution from both a nonqualified plan and a section 457 plan, report it as a single amount in this box and do not identify it by code “G.”

Box 17—Complete and code this box for all items described in (a) through (i) below that apply. Do not report in Box 17 any items that are not listed in (a) through (i). Instead, use Box 18 for these items or for any other information you wish to give your employee. For example, union dues, moving expenses, etc., should be reported in Box 18. Also, any retirement plan contributions that are not listed in item (d) below should be reported in Box 18 (for example, section 414(h)(2) contributions).

Use the codes listed below along with the dollar amount. The code should be entered using capital letters. Leave one space blank after the code and enter the dollar amount on the same line. Use decimal points but do not use dollar signs or commas. For example, you are reporting \$5,300.00 of contributions to a section 401(k) plan. The entry in Box 17 would be: D 5300.00.

(a) You did **not** collect employee social security tax on all the employee’s tips. Show the amount of tax that you could not collect because the employee did not have enough funds from which to deduct it. Do not include this amount in Box 11. Use **code A** for uncollected social security tax on tips.

(b) You did **not** collect employee Medicare tax on tips because the employee did not have enough funds from which to deduct it. Enter the uncollected Medicare tax on tips. Do not include this amount in Box 15. Use **code B** for uncollected Medicare tax on tips.

(c) You provided your employee more than \$50,000 of group-term life insurance. Show the cost of coverage over \$50,000. Also include it in Boxes 10, 12, and 14. Use **code C** for cost of group-term life insurance coverage over \$50,000.

(d) Employee contributions were made to a section 401(k) cash or deferred arrangement, to a section 403(b) salary reduction agreement to purchase an annuity contract, to a section 408(k)(6) salary reduction SEP, to a section 457 deferred compensation plan for state or local government employees, or to a section 501(c)(18)(D) tax-exempt organization plan. Check the “Deferred compensation” checkbox in Box 6, enter the total elective deferral (including any excess) in Box 17. Use the following codes for contributions made to the plans listed below.

D—section 401(k)

E—section 403(b)

F—section 408(k)(6)

G—section 457

H—section 501(c)(18)(D)

Note: *The section 457 dollar limitation should be reduced by contributions made to certain other deferred compensation plans. See section 457(c)(2).*

(e) You made excess “golden parachute” payments to certain key corporate employees. Report in Box 17 the 20% excise tax on these payments. Use **code K** for the tax on excess golden parachute payments. If the excess payments are considered as wages, also report the 20% excise tax as income tax withholding and include it in Box 9.

(f) You reimbursed your employee for employee business expenses using a per diem or mileage allowance, and the amount you reimbursed exceeds the amount treated as substantiated under IRS rules. (See *Employee Business Expense Reimbursements* on page 1.) Report the amount treated as substantiated, i.e., the nontaxable portion, in Box 17 using **code L**. In Box 10, show the portion of the reimbursement that is more than the amount treated as substantiated.

Do **NOT** include any per diem or mileage allowance reimbursements for employee business expenses in Box 17 if the total reimbursement is less than or equal to the amount treated as substantiated.

(g) You provided your former employees (including retirees) more than \$50,000 of group-term life insurance coverage. Enter the amount of uncollected social security tax on the coverage in Box 17. Use **code M** for uncollected social security tax.

(h) You provided your former employees (including retirees) more than \$50,000 of group-term life insurance coverage. Enter the amount of uncollected Medicare tax on the coverage in Box 17. Use **code N** for uncollected Medicare tax.

(i) You are reporting sick pay. Show the amount of any sick pay **NOT** includible in income because the employee contributed to the sick pay plan. If you issue a separate Form W-2 for sick pay, use Box 17 to code the Form W-2 as “Sick pay.” Use **code J** for sick pay **NOT** includible as income.

Do **NOT** enter more than three codes in this box. If more than three items need to be reported in Box 17, use a separate Form W-2 or a substitute Form W-2 to report the

additional items. If you issue multiple Forms W-2, do **NOT** report the same Federal tax data to the SSA on more than one Copy A. If you use a substitute Form W-2, the form must meet the requirements of Pub. 1141.

Box 18—Other.—You may use this box for any other information you want to give your employee. Please label each item. Examples are union dues, health insurance premiums deducted, moving expenses paid, or educational assistance payments.

Box 19a—Employee's name.—Enter the name as shown on the employee's social security card (first, middle initial, last). If the name has changed, have the employee get a corrected card from any SSA office. Use the name on the original card until you see the corrected one.

Box 19b—Employee's address and ZIP code.—This box has been combined with Box 19a (employee's name) on all copies except Copy A to allow employees' copies to be mailed in a window envelope or as a self-mailer.

Box 22—Dependent care benefits.—Show the total amount of dependent care benefits under section 129 paid or incurred by you for your employee including any amount in excess of the \$5,000 exclusion. Also, include in Box 10 on Form W-2 any amount in excess of the \$5,000 exclusion. For more information on the amount to report, see Notice 89-111, 1989-2 C.B. 449.

Box 23—Benefits included in Box 10.—Show the total value of the taxable fringe benefits included in Box 10 as other compensation. If you provided a vehicle and included 100% of its annual lease value in the employee's income, you must separately report this value to the employee in Box 23 or on a separate statement so the employee can compute the value of any business use of the vehicle.

Boxes 24 through 29—State or local income tax information.—You may use these to report state or local income tax information. You do not have to use them. But you may want to show the amounts on Copy A if you use copies of this form for your state or local tax returns or as recipients' statements. The state and local information boxes can be used to report wages and taxes on two states and two localities. Keep each state's and locality's information separated by the broken line.

Reducing Discrepancies Between Reports Filed with IRS and SSA

When there are discrepancies between reports filed with IRS and those filed with SSA, we must contact you to resolve the discrepancies. This costs time and money, both for the government and for you, the employer. To help reduce the number of these discrepancies, please:

(1) Reconcile the social security wages, social security tips, Medicare wages and tips, total compensation, advance earned income credit, income tax withheld, social security and Medicare taxes, on the four quarterly Forms 941 to your Form W-3. The amounts may not match for various reasons. If they do not match, you should determine that the reason is a valid one (such as some income tax withheld was reported on Form 1099, or adjustments were made on Form 941c). Please retain your reconciliation. This way, if there are inquiries in the future, you will know why the amounts did not match.

(2) Use Form W-2 for the current year.

(3) File all Forms W-2 with SSA.

(4) Report bonuses as social security and Medicare wages.

(5) Show social security taxes in the box for social security taxes withheld, not as social security wages.

(6) Make sure social security wage amounts for each employee do not exceed the annual social security wage base.

(7) Make sure Medicare wage amounts for each employee do not exceed the annual Medicare wage base.

(8) Do not include noncash wages not subject to social security or Medicare taxes as social security or Medicare wages.