December 12, 2019

MEMORANDUM FOR: LARGE BUSINESS & INTERNATIONAL (LB&I), TAX EXEMPT/GOVERNMENT ENTITIES (TE/GE), AND SMALL BUSINESS/SELF EMPLOYED (SB/SE) EMPLOYEES AFFECTED BY EMPLOYMENT TAX POLICIES AND PROCEDURES

FROM: Daniel R. Lauer  
Director, SB/SE Specialty Examination Policy

SUBJECT: Interim Guidance on Form W-2 Corrections

Purpose: The purpose of this memorandum is to provide guidance to examiners and managers working employment tax issues on requesting corrected Forms W-2, Wage & Tax Statement and W-2c, Corrected Wage & Tax Statement, at the conclusion of an examination.

Background/Source of Authority: Program Manager Technical Assistance (PMTA) 2018-15 titled “Gross Up of Employment Taxes During Examination” was issued June 25, 2018 containing information on securing Forms W-2 and Forms W-2c.

Procedural Changes: To reflect the corrected procedure, IRM 4.23.10.12, Securing Form W-2 or W-2c, will read as follows:

(2) Employers will be instructed to submit these statements to the examiner using the appropriate cover document, Form W–3, Transmittal of Wage and Tax Statements, and/or Form W-3c, Transmittal of Corrected Wage and Tax Statements. Unless income taxes were withheld from the employees' wages, no income tax related to the employment tax examination should be reported on these statements. Since the examination is not correcting any income tax amounts withheld, the box for Federal income tax withholding should be blank for both “Previously Reported” and “Corrected Information” amounts on the Form W-2, and W-2c, and related transmittals. See General Instructions for Forms W-2 and W-3.
(3) When the employee FICA is paid by the employer, the employee receives credit for the employee FICA tax and the employer is instructed under regulations under section 6205 of the Code how to collect the employee FICA tax from the employee. Corrections should be made by the employer to the corrected wages on Form W-2 and/or Form W-2c in box 1, Wages, tips other compensation, box 3, Social security wages, and box 5, Medicare wages and tips. Additional employee FICA tax paid by the employer should be reported in box 4, Social security tax withheld, and box 6, Medicare tax withheld, as applicable.

In addition, IRM 4.23.8.10.1, *Delinquent Forms W–2/W–2c Secured By Examiner Due to Examination Adjustments*, will read as follows:

(1) Employers will be advised to prepare Form W–2 or Form W–2c, whichever is applicable, to report the amount of wage adjustments for each individual who was affected by the employment tax examination. Since no income taxes were withheld from the employee’s wages as a result of the examination, no income taxes should be reported on delinquent Form W–2 or Form W-2c statements in Box 2.

Note: If the names of the workers are unknown, the examiner should not solicit Forms W–2 from the taxpayer. The examiner should advise the taxpayer that they may receive a notice from the SSA in the future due to the tax assessed not matching the Forms W-2 filed and they should respond with a copy of their audit report.

New paragraph (2):

(2) When the employee FICA is paid by the employer, the employee receives credit for the employee FICA tax and the employer is instructed under regulations under section 6205 of the Code how to collect the employee FICA tax from the employee. Corrections should be made by the employer to the corrected wages on Form W-2 and/or Form W-2c in box 1, Wages, tips other compensation, box 3, Social security wages, and box 5, Medicare wages and tips. Additional employee FICA tax paid by the employer should be reported in box 4, Social security tax withheld, and box 6, Medicare tax withheld, as applicable.

**Effect on Other Documents:** This guidance will be incorporated into IRM 4.23.8.10.1 & 4.23.10.12 by December 11, 2021.

**Effective Date:** December 12, 2019

**Contact:** If you have any questions concerning this interim guidance, contact Laird MacMillan, Policy Analyst, SB/SE Employment Tax Policy at (763) 347-7383.

**Distribution:**
[IRS.gov (http://www.IRS.gov)]