

# Instructions for Forms W-2 and W-3



## Wage and Tax Statement and Transmittal of Wage and Tax Statements

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

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## What's New

**Employee social security tax withholding.** The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 has temporarily reduced the rate of social security tax withholding (for employees only) from 6.2% to 4.2% for wage payments made in 2011. See *Box 4—Social security tax withheld* on page 9.

**Advance earned income credit (EIC) payments.** The advance earned income credit payment is eliminated for tax years beginning after December 31, 2010. Box 9, Advance EIC payments, has been deleted from the 2011 Form W-2 and Form W-3.

**Interim relief for Form W-2 reporting of the cost of coverage of group health insurance.** Code DD is added to box 12 of the 2011 Form W-2 to report the cost of employer-sponsored health coverage. However, this reporting will not be mandatory for 2011. Additional reporting guidance will be available on the Affordable Care Act Tax Provisions page of IRS.gov. For details, see Notice 2010-69, 2010-44 I.R.B. 576, available at [www.irs.gov/irb/2010-44\\_IRB/ar13.html](http://www.irs.gov/irb/2010-44_IRB/ar13.html).

**Form W-3, Kind of Employer.** To improve document matching compliance, box b of the 2011 Form W-3 has been expanded to include a new section, Kind of Employer, which contains five new checkboxes. Filers are required to check one of these new checkboxes. Be sure to check the "None apply" checkbox if none of the other checkboxes apply. For more information, see *Box b—Kind of Employer* on page 11.

**Increase in information return penalties.** The penalties for failure to file correct information returns and failure to furnish correct payee statements have increased. See *Penalties* on page 7.

**Designated Roth contributions.** Participants in governmental section 457(b) plans can treat elective deferrals as Roth contributions. Code EE, Designated Roth contributions under a governmental section 457(b) plan, has been added to the list of codes in box 12 of Form W-2. See *Designated Roth contributions* on page 5.

## Reminders

**TIP** *Get it done faster... E-file your Forms W-2 with the SSA. See page 3.*

**Automatic extension for e-filers.** Receive an automatic filing extension by e-filing your Forms W-2 with the Social Security Administration (SSA). The due date for e-filing 2011 Form W-2 Copy A with the SSA is extended to April 2, 2012. See *Form W-2 e-filing* on page 3.

**Business Services Online (BSO).** The SSA has enhanced its secure BSO website to make it easier to register and navigate. Use BSO's

online fill-in forms to create, save, and submit Forms W-2 and W-2c to the SSA electronically. BSO lets you print copies of these forms to file with state or local governments, distribute to your employees, and keep for your records. BSO generates Form W-3 automatically based on your Forms W-2. You also can use BSO to upload wage files to the SSA, check on the status of previously submitted wage reports, and take advantage of other convenient services for employers and businesses. Visit the SSA's Employer W-2 Filing Instructions & Information website at [www.socialsecurity.gov/employer](http://www.socialsecurity.gov/employer) for more information about using BSO to save time for your organization. Here you also will find forms and publications used for wage reporting, information about verifying employee social security numbers online, how to reach an SSA employer services representative for your region, and more.

**TIP** *Preview BSO by viewing a brief online tutorial. Go to [www.socialsecurity.gov/bsowelcome.html](http://www.socialsecurity.gov/bsowelcome.html) and click on "Tutorial."*

**Correcting wage reports.** You can use BSO to create, save, print, and submit Forms W-2c, Corrected Wage and Tax Statement, online. After logging in to BSO, navigate to the Electronic Wage Reporting home page and click on the "Forms W-2c/W-3c Online" tab.

**Distributions from governmental section 457(b) plans of state and local agencies.** Generally, report distributions from section 457(b) plans of state and local agencies on Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. See Notice 2003-20 for details. You can find Notice 2003-20 on page 894 of Internal Revenue Bulletin 2003-19 at [www.irs.gov/pub/irs-irbs/irb03-19.pdf](http://www.irs.gov/pub/irs-irbs/irb03-19.pdf).

**Earned income credit (EIC) notice.** You must notify employees who have no income tax withheld that they may be able to claim an income tax refund because of the EIC. You can do this by using the official IRS Form W-2 with the EIC notice on the back of Copy B or a substitute Form W-2 with the same statement. You must give your employee Notice 797, Possible Federal Tax Refund Due to the Earned Income Credit (EIC), or your own statement that contains the same wording if (a) you use a substitute Form W-2 that does not contain the EIC notice, (b) you are not required to furnish Form W-2, or (c) you do not furnish a timely Form W-2 to your employee. For more information, see section 10 in Pub. 15 (Circular E), Employer's Tax Guide.

**Electronic statements for employees.** Furnishing Copies B, C, and 2 of Forms W-2 to your employees electronically may save you time and effort. See Pub. 15-A, Employer's Supplemental Tax Guide, for additional information.

**Form 944.** Use the "944" checkbox in box b of Form W-3 if you filed Form 944, Employer's ANNUAL Federal Tax Return. Also use the "944" checkbox if you filed Formulario 944(SP), the Spanish version of Form 944.

**Form W-2 e-filing.** If you are filing 250 or more Forms W-2, you must file them electronically, unless the IRS grants you a waiver. Whether you are a large or small employer, or a third-party payroll service provider, you may be able to save time and effort by filing Forms W-2 using the SSA's secure BSO website. See *Form W-2 e-filing* on page 3.

**Military differential pay.** Employers paying their employees while they are on active duty in United States uniformed services should treat these payments as wages subject to income tax withholding. See *Military differential pay* on page 6.

**Nonqualified deferred compensation plans.** You are not required to complete box 12 with code Y (deferrals under nonqualified plans subject to section 409A). Section 409A provides that all amounts deferred under a nonqualified deferred compensation (NQDC) plan for all tax years are includible in gross income unless certain requirements are satisfied. See *Nonqualified deferred compensation plans* on page 6.

**Substitute forms.** If you are not using the official IRS form to furnish Form W-2 to employees or to file with the SSA, you may use an acceptable substitute form that complies with the rules in Pub. 1141, General Rules and Specifications for Substitute Forms W-2 and W-3.

Pub. 1141, which is revised annually, is a revenue procedure that explains the requirements for format and content of substitute Forms W-2 and W-3. Your substitute forms must comply with the requirements in Pub. 1141.

## Need Help?

**Help with Form W-2 e-filing.** If you have questions about how to register or use BSO, call 1-800-772-6270 (toll free) to speak with an employer reporting specialist at the SSA. The hours of operation are Monday through Friday from 7:00 a.m. to 7:00 p.m., Eastern time. If you experience problems using any of the services within BSO, call 1-888-772-2970 (toll free). For a wealth of information about wage reporting, including regional support, visit the SSA's Employer W-2 Filing Instructions & Information page at [www.socialsecurity.gov/employer](http://www.socialsecurity.gov/employer).

**Information reporting customer service site.** The IRS operates a centralized customer service site to answer questions about reporting on Forms W-2, W-3, 1099, and other information returns. If you have questions about reporting on these forms, call 1-866-455-7438 (toll free). The hours of operation are Monday through Friday from 8:30 a.m. to 4:30 p.m., Eastern time.

**Hearing impaired TTY/TDD equipment.** Telephone help is available using TTY/TDD equipment. If you have questions about reporting on information returns (Forms 1096, 1097, 1098, 1099, 3921, 3922, 5498, W-2, W-2G, and W-3), call 1-304-579-4827. For any other tax information, call 1-800-829-4059.

**Employment tax information.** Detailed employment tax information is given in:

- Pub. 15 (Circular E), Employer's Tax Guide,
- Pub. 15-A, Employer's Supplemental Tax Guide,
- Pub. 15-B, Employer's Tax Guide to Fringe Benefits, and
- Pub. 51 (Circular A), Agricultural Employer's Tax Guide.

You also can call the IRS with your employment tax questions at 1-800-829-4933 or visit [IRS.gov](http://IRS.gov) and type "Employment Taxes" in the search box.

## How To Get Forms and Publications

**Internet.** You can access [IRS.gov](http://IRS.gov) 24 hours a day, 7 days a week to:

- Download, view, and order tax forms, instructions, and publications.
- Access commercial tax preparation and *e-file* services.
- Research your tax questions online.
- See answers to frequently asked tax questions.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins published in the last few years.
- Sign up to receive local and national tax news by email.



**Do not download Copy A of Forms W-2, W-3, W-2c, or W-3c from the IRS website and then file them with the SSA. The SSA accepts only e-filed reports and the official red-ink versions (or approved substitute versions) of these forms. For information about e-filing, see Form W-2 e-filing on page 3.**

**Free tax services.** To find out what services are available, get Pub. 910, *IRS Guide to Free Tax Services*. It contains lists of free tax information sources, including publications, services, and free tax education and assistance programs. It also has an index of over 100 TeleTax topics (recorded tax information) you can listen to on your telephone. Accessible versions of IRS published products are available on request in a variety of alternative formats.



**DVD of tax products.** You can order Publication 1796, *IRS Tax Products DVD*, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Internal Revenue Code—Title 26 of the U.S. Code.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- Two releases during the year.
  - The first release will ship the beginning of January 2011.
  - The final release will ship the beginning of March 2011.

Purchase the DVD from National Technical Information Service (NTIS) at [www.irs.gov/cdorders](http://www.irs.gov/cdorders) for \$30 (no handling fee) or call 1-877-233-6767 toll free to purchase the DVD for \$30 (plus a \$6 handling fee).

**Mail.** You can send your order for forms, instructions, and publications to the following address. You should receive a response within 10 days after your request is received.

Internal Revenue Service  
1201 N. Mitsubishi Parkway  
Bloomington, IL 61705-6613

**Phone.** Many services are available by phone.

- **Ordering forms, instructions, and publications.** Call 1-800-829-3676 to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.
- **TTY/TDD equipment.** If you have access to TTY/TDD equipment, call 1-800-829-4059 to order forms and publications.

## Common Errors on Forms W-2

Forms W-2 provide information to your employees, the SSA, the IRS, and state and local governments. Avoid making the following errors, which cause processing delays.

**Do not:**

- Omit the decimal point and cents from entries.
- Make entries using ink that is too light. Use only black ink.
- Make entries that are too small or too large. Use 12-point Courier font, if possible.
- Add dollar signs to the money-amount boxes. They have been removed from Copy A and are not required.
- Inappropriately check the "Retirement plan" checkbox in box 13. See *Retirement plan* on page 11.
- Misformat the employee's name in box e. Enter the employee's first name and middle initial in the first box, his or her surname in the second box, and his or her suffix (optional) in the third box.

## General Instructions for Forms W-2 and W-3

**Who must file Form W-2.** Every employer engaged in a trade or business who pays remuneration for services performed by an employee, including noncash payments, must file a Form W-2 for each employee (even if the employee is related to the employer) from whom:

- Income, social security, or Medicare tax was withheld.
- Income tax would have been withheld if the employee had claimed no more than one withholding allowance or had not claimed exemption from withholding on Form W-4, *Employee's Withholding Allowance Certificate*.

If you are required to file 250 or more Forms W-2, or want to take advantage of the benefits of e-filing, see *Form W-2 e-filing* on page 3.

**Who must file Form W-3.** Anyone required to file Form W-2 must file Form W-3 to transmit Copy A of Forms W-2. Make a copy of Form W-3; keep it and Copy D (For Employer) of Forms W-2 with your records for 4 years. Be sure to use Form W-3 for the correct year. If you are filing Forms W-2 electronically, see *Form W-2 e-filing* on page 3.

**Household employers.** Even employers with only one household employee must file Form W-3 to transmit Copy A of Form W-2. On Form W-3 check the "Hshld. emp." checkbox in box b. For more information, see Schedule H (Form 1040), *Household Employment Taxes*, and its separate instructions. You must have an EIN. See *Box b—Employer identification number (EIN)* on page 8.

**Who may sign Form W-3.** A transmitter or sender (including a service bureau, reporting agent, paying agent, or disbursing agent) may sign Form W-3 (or use its PIN to *e-file*) for the employer or payer only if the sender:

- Is authorized to sign by an agency agreement (either oral, written, or implied) that is valid under state law; and
- Writes "For (name of payer)" next to the signature (paper Form W-3 only).



**Use of a reporting agent or other third-party payroll service provider does not relieve an employer of the responsibility to ensure that Forms W-2 are furnished to employees, and that Forms W-2 and W-3 are filed with the SSA, correctly and on time.**

Be sure that the payer's name and employer identification number (EIN) on Forms W-2 and W-3 are the same as those used on the Form 941, *Employer's QUARTERLY Federal Tax Return*; Form 943, *Employer's Annual Federal Tax Return for Agricultural Employees*; Form 944; Form CT-1, *Employer's Annual Railroad Retirement Tax Return*; or Schedule H (Form 1040) filed by or for the payer.

**When to file.** If you file using paper forms, you must file Copy A of Form W-2 with Form W-3 by February 29, 2012. However, if you *e-file*, the due date is automatically extended to April 2, 2012. You may owe a penalty for each Form W-2 that you file late. See *Penalties* on page 7. If you terminate your business, see *Terminating a business* on page 6.

**Extension to file.** You may request an automatic extension of time to file Form W-2 with the SSA by sending Form 8809, Application for Extension of Time To File Information Returns, to the address shown on Form 8809. You must request the extension before the due date of Forms W-2. You will have an additional 30 days to file. See Form 8809 for details.



*Even if you request an extension of time to file Form W-2, you still must furnish Form W-2 to your employees by January 31, 2012. But see Extension of time to furnish Forms W-2 to employees, later.*

**Where to file paper forms.** File Copy A of Form W-2 with Form W-3 at the following address.

**Social Security Administration  
Data Operations Center  
Wilkes-Barre, PA 18769-0001**



*If you use "Certified Mail" to file, change the ZIP code to "18769-0002." If you use an IRS-approved private delivery service, add "ATTN: W-2 Process, 1150 E. Mountain Dr." to the address and change the ZIP code to "18702-7997." See Pub. 15 (Circular E) for a list of IRS-approved private delivery services.*



*Do not send cash, checks, money orders, or other forms of payment with the Forms W-2 and W-3 that you submit to the SSA. Employment tax forms (for example, Form 941 or Form 943), remittances, and Forms 1099 must be sent to the IRS.*

Send Copy 1 of Form W-2, if required, to your state, city, or local tax department. For more information concerning Copy 1 (including how to complete boxes 15 through 20), contact your state, city, or local tax department.

**Shipping and mailing.** If you file more than one type of employment tax form, group Forms W-2 of the same type with a separate Form W-3 for each type, and send them in separate groups. See the specific instructions for box b of Form W-3 beginning on page 11.

Prepare and file Forms W-2 either alphabetically by employees' last names or numerically by employees' social security numbers. Do not staple or tape Form W-3 to the related Forms W-2 or Forms W-2 to each other. These forms are machine read. Staple holes or tears interfere with machine reading. Also, do not fold Forms W-2 and W-3. Send the forms to the SSA in a flat mailing.

**Form W-2 e-filing.** The SSA encourages all employers to e-file. E-filing can save you time and effort and helps ensure accuracy. You must e-file if you are required to file 250 or more Forms W-2. If you are required to e-file but fail to do so, you may incur a penalty.

You can request a waiver from this requirement by filing Form 8508, Request for Waiver From Filing Information Returns Electronically. Submit Form 8508 to the IRS at least 45 days before the due date of Form W-2. See Form 8508 for information about filing this form.

The SSA's BSO website makes e-filing easy by providing two ways to submit your Form W-2 Copy A and Form W-3 information.

- If you need to file 20 or fewer Forms W-2 at a time, you can use BSO to create them online. BSO guides you through the process of creating Forms W-2, saving and printing them, and submitting them to the SSA when you are ready. You do not have to wait until you have submitted Forms W-2 to the SSA before printing copies for your employees. BSO generates Form W-3 automatically based on your Forms W-2.
- If you need to file more than 20 Forms W-2, BSO's "file upload" feature might be the best e-filing method for your business or organization. To obtain file format specifications, visit the SSA's Employer W-2 Filing Instructions & Information page at [www.socialsecurity.gov/employer](http://www.socialsecurity.gov/employer) and click on "E-Filing Format." This information is also available by calling the SSA's Employer Reporting Branch at 1-800-772-6270 (toll free).



*If you e-file, do not file the same returns using paper forms.*

For more information about e-filing Forms W-2 and a link to the BSO website, visit SSA's Employer W-2 Filing Instructions & Information page at [www.socialsecurity.gov/employer](http://www.socialsecurity.gov/employer).

In a few situations, reporting instructions are different depending on whether you are e-filing or using paper forms. For example, paper filers are limited to four box 12 entries per Form W-2, but e-filers can make an unlimited number of entries for each type of box 12 amount. This is because electronic data is not subject to the same space limitations as paper forms. See the TIP for Copy A on page 9.

**Furnishing Copies B, C, and 2 to employees.** Generally, you must furnish Copies B, C, and 2 of Form W-2 to your employees by January 31, 2012. You will meet the "furnish" requirement if the form is properly addressed and mailed on or before the due date.

If employment ends before December 31, 2011, you may furnish copies to the employee at any time after employment ends, but no later than January 31, 2012. If an employee asks for Form W-2, give him or her the completed copies within 30 days of the request or within 30 days of the final wage payment, whichever is later. However, if you terminate your business, see *Terminating a business* on page 6.

You may furnish Forms W-2 to employees on IRS official forms or on acceptable substitute forms. See *Substitute forms* on page 1. Be sure the Forms W-2 you provide to employees are clear and legible and comply with the requirements in Pub. 1141.

**Extension of time to furnish Forms W-2 to employees.** You may request an extension of time to furnish Forms W-2 to employees by sending a letter to:

**Internal Revenue Service  
Information Returns Branch, Mail Stop 4360  
Attn: Extension of Time Coordinator  
240 Murall Drive  
Kearneysville, WV 25430**

Mail your letter on or before the due date for furnishing Forms W-2 to employees. It must include:

- Your name and address,
- Your employer identification number (EIN),
- A statement that you are requesting an extension to furnish "Forms W-2" to employees,
- The reason for delay, and
- Your signature or that of your authorized agent.



*Requests for an extension of time to furnish recipient statements for more than 10 payers must be submitted electronically. See Publication 1220, Part D, Sec. 4.*

**Undeliverable Forms W-2.** Keep for 4 years any employee copies of Forms W-2 that you tried to but could not deliver. However, if the undelivered Form W-2 can be produced electronically through April 15th of the fourth year after the year at issue, you do not need to keep undeliverable employee copies. Do not send undeliverable Forms W-2 to the SSA.

**Taxpayer identification numbers (TINs).** Employers use an employer identification number (EIN) (00-0000000). Employees use a social security number (SSN) (000-00-0000). When you list a number, separate the nine digits properly to show the kind of number. Do not accept an individual taxpayer identification number (ITIN) for employment purposes. For more information, see section 4 of Pub. 15 (Circular E).

The IRS uses SSNs to check the payments that you report against the amounts shown on the employees' tax returns. The SSA uses SSNs to record employees' earnings for future social security and Medicare benefits. When you prepare Form W-2, be sure to show the correct SSN for each employee. For information about verifying SSNs, see section 4 of Pub. 15 (Circular E) or visit the SSA's Employer W-2 Filing Instructions & Information website at [www.socialsecurity.gov/employer](http://www.socialsecurity.gov/employer).

## Special Reporting Situations for Form W-2

**Adoption benefits.** Amounts paid or expenses incurred by an employer for qualified adoption expenses under an adoption assistance program are not subject to federal income tax withholding and are not reportable in box 1. However, these amounts (including adoption benefits paid from a section 125 (cafeteria) plan, but not including adoption benefits forfeited from a cafeteria plan) are subject to social security, Medicare, and railroad retirement taxes and must be reported in boxes 3 and 5. (Use box 14 if railroad retirement taxes apply.) Also, the total amount must be reported in box 12 with code T.

For more information on adoption benefits, see Notice 97-9, 1997-1 C.B. 365, which is on page 35 of Internal Revenue Bulletin 1997-2 at [www.irs.gov/pub/irs-irbs/irb97-02.pdf](http://www.irs.gov/pub/irs-irbs/irb97-02.pdf). Advise your employees to see the Instructions for Form 8839, Qualified Adoption Expenses.

**Agent reporting.** Generally, an agent who has an approved Form 2678, Employer/Payer Appointment of Agent, should enter the agent's name as the employer in box c of Form W-2 and file only one Form W-2 for each employee. However, if the agent (a) is acting as an agent for two or more employers or is an employer and is acting as an agent for another employer, and (b) pays social security wages to an individual on behalf of more than one employer, and (c) the total of the individual's social security wages from these employers is greater than the social security wage base, the agent must file separate Forms W-2 for the affected employee reflecting the wages paid by each employer.

On the Form W-2 the agent should enter the following in box c of Form W-2.

**(Name of agent)  
Agent for (name of employer)  
Address of agent**

Each Form W-2 should reflect the EIN of the agent in box b. An agent files one Form W-3 for all of the Forms W-2 and enters its own information in boxes e, f, and g of Form W-3 as it appears on the agent's related employment tax returns (for example, Form 941). Enter the client-employer's EIN in box h of Form W-3 if the Forms W-2 relate to only one employer (other than the agent); if not, leave box h blank. See Rev. Proc. 70-6, 1970-1 C.B. 420; Notice 2003-70, 2003-43 I.R.B. 916, available at [www.irs.gov/irb/2003-43\\_IRB/ar09.html](http://www.irs.gov/irb/2003-43_IRB/ar09.html); and the Instructions for Form 2678 for procedures to be followed in applying to be an agent. For state and local health and welfare agencies wishing to act as agents under section 3504, see Rev. Proc. 80-4, 1980-1 C.B. 581.

**TIP** Generally, an agent is not responsible for refunding excess social security or railroad retirement (RRTA) tax withheld from employees. If an employee worked for more than one employer during 2011 and had more than \$4,485.60 in social security and Tier I RRTA tax withheld, he or she should claim the excess on the appropriate line of Form 1040, Form 1040A, or Form 1040NR. If an employee had more than \$3,088.80 in Tier II RRTA tax withheld from more than one employer, the employee should claim a refund on Form 843, Claim for Refund and Request for Abatement.

**Archer MSA.** An employer's contribution to an employee's Archer MSA is not subject to federal income tax withholding, or social security, Medicare, or railroad retirement taxes if it is reasonable to believe at the time of the payment that the contribution will be excludable from the employee's income. However, if it is not reasonable to believe at the time of payment that the contribution will be excludable from the employee's income, employer contributions are subject to income tax withholding and social security and Medicare taxes (or railroad retirement taxes, if applicable) and must be reported in boxes 1, 3, and 5. (Use box 14 if railroad retirement taxes apply.)

You must report all employer contributions to an Archer MSA in box 12 of Form W-2 with code R. Employer contributions to an Archer MSA that are not excludable from the income of the employee also must be reported in box 1.

An employee's contributions to an Archer MSA are includible in income as wages and are subject to federal income tax withholding and social security and Medicare taxes (or railroad retirement taxes, if applicable). Employee contributions are deductible, within limits, on the employee's Form 1040.

For more information, see Pub. 969, Health Savings Accounts and Other Tax-Favored Health Plans, and Notice 96-53, which is found on page 5 of Internal Revenue Bulletin 1996-51 at [www.irs.gov/pub/irs-irbs/irb96-51.pdf](http://www.irs.gov/pub/irs-irbs/irb96-51.pdf).

**Clergy and religious workers.** For certain members of the clergy and religious workers who are not subject to social security and Medicare taxes as employees, boxes 3 and 5 of Form W-2 should be left blank. You may include a minister's parsonage and/or utilities allowance in box 14. For information on the rules that apply to ministers and certain other religious workers, see Pub. 517, Social Security and Other Information for Members of the Clergy and Religious Workers, and Section 4—Religious Exemptions and Special Rules for Ministers in Pub. 15-A.

**Corrections.** Use the current version of Form W-2c, Corrected Wage and Tax Statement, to correct errors (such as incorrect name, SSN, or amount) on a previously filed Form W-2. File Form W-2c with the SSA. To e-file your corrections, see *Correcting wage reports* on page 1.

If the SSA issues your employee a replacement card after a name change, or a new card with a different social security number after a change in alien work status, file a Form W-2c to correct the name/SSN reported on the most recently filed Form W-2. It is not necessary to correct the prior years if the previous name and number were used for the years prior to the most recently filed Form W-2.

File Form W-3c, Transmittal of Corrected Wage and Tax Statements, whenever you file a Form W-2c with the SSA, even if you are only filing a Form W-2c to correct an employee's name or SSN. However, see *Incorrect address on employee's Form W-2*, later, for information on correcting an employee's address. See the Instructions for Forms W-2c and W-3c if an error was made on a previously filed Form W-3.

If you discover an error on Form W-2 after you issue it to your employee but before you send it to the SSA, check the "Void" box at the top of the incorrect Form W-2 on Copy A. Prepare a new Form W-2 with the correct information, and send Copy A to the SSA. Write "CORRECTED" on the employee's new copies (B, C, and 2), and furnish them to the employee. If the "Void" Form W-2 is on a page with a correct Form W-2, send the entire page to the SSA. The "Void" form will not be processed. Do not write "CORRECTED" on Copy A of Form W-2.

If you are making a correction for a previously filed Form 941, Form 943, Form 944, or Form CT-1, use the corresponding "X" form, such as

Form 941-X, Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund; Form 943-X, Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund; Form 944-X, Adjusted Employer's ANNUAL Federal Tax Return or Claim for Refund; or Form CT-1X, Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund, for the return period in which you found the error. See section 13 of Pub. 15 (Circular E) for more details. If you are making corrections to a previously filed Schedule H (Form 1040), see Pub. 926, Household Employer's Tax Guide. Issue the employee a Form W-2c if the error discovered was for the prior year.

**Incorrect address on employee's Form W-2.** If you filed a Form W-2 with the SSA showing an incorrect address for the employee but all other information on the Form W-2 is correct, do not file Form W-2c with the SSA merely to correct the address. However, if the address was incorrect on the Form W-2 furnished to the employee, you must do one of the following.

- Issue a new, corrected Form W-2 to the employee that includes the new address. Indicate "REISSUED STATEMENT" on the new copies. Do not send Copy A to the SSA.
- Issue a Form W-2c to the employee showing the correct address in box i and all other correct information. Do not send Copy A to the SSA.
- Reissue a Form W-2 with the incorrect address to the employee in an envelope showing the correct address, or otherwise deliver it to the employee.

**Deceased employee's wages.** If an employee dies during the year, you must report the accrued wages, vacation pay, and other compensation paid after the date of death. Wages that were constructively received by the employee while he or she was alive are reported on Form W-2 as any other regular wage payment, even if you may have to reissue the payment in the name of the estate or beneficiary.

If you made the payment after the employee's death but in the same year the employee died, you must withhold social security and Medicare taxes on the payment and report the payment on the employee's Form W-2 only as social security and Medicare wages to ensure proper social security and Medicare credit is received. On the employee's Form W-2, show the payment as social security wages (box 3) and Medicare wages and tips (box 5) and the social security and Medicare taxes withheld in boxes 4 and 6. Do not show the payment in box 1.

If you made the payment after the year of death, do not report it on Form W-2, and do not withhold social security and Medicare taxes.

Whether the payment is made in the year of death or after the year of death, you also must report it in box 3 of Form 1099-MISC, Miscellaneous Income, for the payment to the estate or beneficiary. Use the name and taxpayer identification number (TIN) of the payment recipient on Form 1099-MISC. However, if the payment is a reissuance of wages that were constructively received by the deceased individual while he or she was still alive, do not report it on Form 1099-MISC.

**Example.** Before Employee A's death on June 15, 2011, A was employed by Employer X and received \$10,000 in wages on which federal income tax of \$1,500 was withheld. When A died, X owed A \$2,000 in wages and \$1,000 in accrued vacation pay. The total of \$3,000 (less the social security and Medicare taxes withheld) was paid to A's estate on July 20, 2011. Because X made the payment during the year of death, X must withhold social security and Medicare taxes on the \$3,000 payment and must complete Form W-2 as follows.

- Box a – Employee A's SSN
- Box e – Employee A's name
- Box f – Employee A's address
- Box 1 – 10000.00 (does not include the \$3,000 accrued wages and vacation pay)
- Box 2 – 1500.00
- Box 3 – 13000.00 (includes the \$3,000 accrued wages and vacation pay)
- Box 4 – 546.00 (4.2% of the amount in box 3)
- Box 5 – 13000.00 (includes the \$3,000 accrued wages and vacation pay)
- Box 6 – 188.50 (1.45% of the amount in box 5)



Employer X also must complete Form 1099-MISC as follows.

- Boxes for recipient's name, address, and TIN—the estate's name, address, and TIN.
- Box 3: 3000.00 (Even though amounts were withheld for social security and Medicare taxes, the gross amount is reported here.)

If Employer X made the payment after the year of death, the \$3,000 would not be subject to social security and Medicare taxes and would not be shown on Form W-2. However, the employer would still file Form 1099-MISC.

**Designated Roth contributions.** Under section 402A, a participant in a section 401(k) plan, under a 403(b) salary reduction agreement, or in a governmental 457(b) plan that includes a qualified Roth contribution program may elect to make designated Roth contributions to the plan or program in lieu of elective deferrals. Designated Roth contributions are subject to federal income tax withholding and social security and Medicare taxes (and railroad retirement taxes, if applicable) and must be reported in boxes 1, 3, and 5. (Use box 14 if railroad retirement taxes apply.)

Section 402A requires separate reporting of the yearly designated Roth contributions. Designated Roth contributions to 401(k) plans will be reported using code AA in box 12; designated Roth contributions under 403(b) salary reduction agreements will be reported using code BB in box 12; and designated Roth contributions under a governmental section 457(b) plan will be reported using Code EE in box 12. For reporting instructions, see *Code AA*, *Code BB*, and *Code EE* on page 11.

**Educational assistance programs.** Employer-provided educational assistance that qualifies as a working condition benefit is excludable from an employee's wages. For employer-provided educational assistance that does not qualify as a working condition benefit, a \$5,250 exclusion may apply if the assistance is provided under an educational assistance program under section 127. See Pub. 970, Tax Benefits for Education, and section 2 of Pub. 15-B for more information. Also see *Box 1—Wages, tips, other compensation* on page 8.

**Election workers.** Report on Form W-2 payments of \$600 or more to election workers for services performed in state, county, and municipal elections. File Form W-2 for payments of less than \$600 paid to election workers if social security and Medicare taxes were withheld under a section 218 (Social Security Act) agreement. Do not report election worker payments on Form 1099-MISC.

If the election worker is employed in another capacity with the same government entity, see Rev. Rul. 2000-6 on page 512 of Internal Revenue Bulletin 2000-6 at [www.irs.gov/pub/irs-irbs/irb00-06.pdf](http://www.irs.gov/pub/irs-irbs/irb00-06.pdf).

**Employee business expense reimbursements.** Reimbursements to employees for business expenses must be reported as follows.

- Generally, payments made under an accountable plan are excluded from the employee's gross income and are not reported on Form W-2. However, if you pay a per diem or mileage allowance and the amount paid for substantiated miles or days traveled 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 and social security and Medicare taxes. Report the amount treated as substantiated (that is, the nontaxable portion) in box 12 using code L. See *Code L—Substantiated employee business expense reimbursements* on page 10.

- Payments made under a nonaccountable plan are reported as wages on Form W-2 and are subject to federal income tax withholding and social security and Medicare taxes.

For more information on accountable plans, nonaccountable plans, amounts treated as substantiated under a per diem or mileage allowance, the standard mileage rate, the per diem substantiation method, and the high-low substantiation method, see Pub. 463, Travel, Entertainment, Gift, and Car Expenses; Pub. 1542, Per Diem Rates; and section 5 of Pub. 15 (Circular E).

**Employee's social security and Medicare taxes paid by employer.** If you paid your employee's share of social security and Medicare taxes rather than deducting them from the employee's wages, you must include these payments as wages subject to federal income tax withholding and social security, Medicare, and federal unemployment (FUTA) taxes. The amount to include as wages is determined by using the formula contained in the discussion of *Employee's Portion of Taxes Paid by Employer* in section 7 of Pub. 15-A.



*This does not apply to household and agricultural employers. If you pay a household or agricultural employee's social security and Medicare taxes, you must include these payments in the employee's wages for income tax withholding purposes. However, the wage increase due to the tax payments is not subject to social security, Medicare, or FUTA taxes. For information on completing Forms W-2 and W-3 in this situation, see the Instructions for Schedule H (Form 1040), Household Employment Taxes, and section 4 of Pub. 51 (Circular A).*

**Fringe benefits.** Include all taxable fringe benefits in box 1 of Form W-2 as wages, tips, and other compensation and, if applicable, in boxes 3 and 5 as social security and Medicare wages. Although not required, you may include the total value of fringe benefits in box 14 (or on a separate statement). However, if you provided your employee 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 14 (or on a separate statement). The employee can then figure the value of any

business use of the vehicle and report it on Form 2106, Employee Business Expenses. Also see Pub. 15-B for more information.



*If you used the commuting rule or the vehicle cents-per-mile rule to value the personal use of the vehicle, you cannot include 100% of the value of the use of the vehicle in the employee's income. See Pub. 15-B.*

**Golden parachute payments.** Include any golden parachute payments in boxes 1, 3, and 5 of Form W-2. Withhold federal income, social security, and Medicare taxes as usual and report them in boxes 2, 4, and 6, respectively. Excess parachute payments are also subject to a 20% excise tax. If the excess payments are considered wages, withhold the 20% excise tax and include it in box 2 as income tax withheld. Also report the excise tax in box 12 with code K. For definitions and additional information, see Regulations section 1.280G-1 and Rev. Proc. 2003-68, 2003-34 I.R.B. 398, available at [www.irs.gov/irb/2003-34\\_IRB/ar16.html](http://www.irs.gov/irb/2003-34_IRB/ar16.html).

**Government employers.** Federal, state, and local governmental agencies have two options for reporting their employees' wages that are subject to only Medicare tax for part of the year and both social security and Medicare taxes for part of the year.

Option one (which the SSA prefers) is to file a single Form W-2 reflecting the employees' wages for the entire year, even if only part of the year's wages was subject to both social security and Medicare taxes. The Form W-3 must have the "941" checkbox checked in box b. The wages in box 5 must be equal to or greater than the wages in box 3 on Form W-2.

Option two is to file two Forms W-2 for each employee who received wages subject only to Medicare tax for part of the year, and two Forms W-3. File one Form W-2 for wages subject to Medicare tax only. Be sure to check the "Medicare govt. emp." checkbox in box b of the Form W-3 used to transmit these Forms W-2. File the second Form W-2 for wages subject to both social security and Medicare taxes with the "941" checkbox checked in box b of the second Form W-3. The wages in box 5 on each Form W-2 must be equal to or greater than the wages in box 3 on that same Form W-2.

**Group-term life insurance.** You must include in boxes 1, 3, and 5 the cost of group-term life insurance that is more than the cost of \$50,000 of coverage, reduced by the amount the employee paid toward the insurance. Use the table in section 2 of Pub. 15-B to determine the cost of the insurance. Also, show the amount in box 12 with code C. For employees, you must withhold social security and Medicare taxes, but not federal income tax. For coverage provided to former employees, the former employees must pay the employee part of social security and Medicare taxes on the taxable cost of group-term life insurance over \$50,000 on Form 1040. You are not required to collect those taxes. However, you must report the uncollected social security tax with code M and the uncollected Medicare tax with code N in box 12 of Form W-2.

**Health savings account (HSA).** An employer's contribution (including an employee's contributions through a cafeteria plan) to an employee's HSA is not subject to federal income tax withholding or social security, Medicare, or railroad retirement taxes (or FUTA tax) if it is reasonable to believe at the time of the payment that the contribution will be excludable from the employee's income. However, if it is not reasonable to believe at the time of payment that the contribution will be excludable from the employee's income, employer contributions are subject to federal income tax withholding, social security and Medicare taxes (or railroad retirement taxes, if applicable), and FUTA tax and must be reported in boxes 1, 3, and 5 (use box 14 if railroad retirement taxes apply), and on Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return.

You must report all employer contributions (including an employee's contributions through a cafeteria plan) to an HSA in box 12 of Form W-2 with code W. Employer contributions to an HSA that are not excludable from the income of the employee also must be reported in boxes 1, 3, and 5. (Use box 14 if railroad retirement taxes apply.)

An employee's contributions to an HSA (unless made through a cafeteria plan) are includible in income as wages and are subject to federal income tax withholding and social security and Medicare taxes (or railroad retirement taxes, if applicable). Employee contributions are deductible, within limits, on the employee's Form 1040. For more information about HSAs, see Notice 2004-2, Notice 2004-50, and Notice 2008-52. Notice 2004-2, 2004-2 I.R.B. 269, is available at [www.irs.gov/irb/2004-02\\_IRB/ar09.html](http://www.irs.gov/irb/2004-02_IRB/ar09.html). Notice 2004-50, 2004-33 I.R.B. 196, is available at [www.irs.gov/irb/2004-33\\_IRB/ar08.html](http://www.irs.gov/irb/2004-33_IRB/ar08.html). Notice 2008-52, 2008-25 I.R.B. 1166, is available at [www.irs.gov/irb/2008-25\\_IRB/ar10.html](http://www.irs.gov/irb/2008-25_IRB/ar10.html). Also see Form 8889, Health Savings Accounts (HSAs), and Pub. 969.

**Lost Form W-2—reissued statement.** If an employee loses a Form W-2, write "REISSUED STATEMENT" on the new copy and furnish it to the employee. You do not have to add "REISSUED STATEMENT" on Forms W-2 provided to employees electronically. Do not send Copy A

of the reissued Form W-2 to the SSA. Employers are not prohibited (by the Internal Revenue Code) from charging a fee for the issuance of a duplicate Form W-2.

**Military differential pay.** Employers paying their employees while they are on active duty in the United States uniformed services should treat these payments as wages. Differential wage payments made to an individual while on active duty for periods scheduled to exceed 30 days are subject to income tax withholding, but are not subject to social security, Medicare, and unemployment taxes. Report differential wage payments in box 1 and any federal income tax withholding in box 2. Differential wage payments made to an individual while on active duty for 30 days or less are subject to income tax withholding, social security, Medicare, and unemployment taxes, and are reported in boxes 1, 3, and 5. See Rev. Rul. 2009-11, 2009-18 I.R.B. 896, available at [www.irs.gov/irb/2009-18\\_IRB/ar07.html](http://www.irs.gov/irb/2009-18_IRB/ar07.html).

**Moving expenses.** Report moving expenses as follows.

- Qualified moving expenses that an employer paid to a third party on behalf of the employee (for example, to a moving company) and services that an employer furnished in kind to an employee are not reported on Form W-2.
- Qualified moving expense reimbursements paid directly to an employee by an employer are reported only in box 12 of Form W-2 with code P.
- Nonqualified moving expense reimbursements are reported in boxes 1, 3, and 5 (use box 14 if railroad retirement taxes apply) of Form W-2. These amounts are subject to federal income tax withholding and social security and Medicare taxes (or railroad retirement taxes, if applicable).

For more information on qualified and nonqualified moving expenses, see Pub. 521, Moving Expenses.

**Nonqualified deferred compensation plans.** Section 409A provides that all amounts deferred under a nonqualified deferred compensation (NQDC) plan for all tax years are currently includible in gross income unless certain requirements are met. Generally, section 409A is effective with respect to amounts deferred in tax years beginning after December 31, 2004, but deferrals made prior to that year may be subject to section 409A under some circumstances.

It is not necessary to show amounts deferred during the year under an NQDC plan subject to section 409A. If you report section 409A deferrals, show the amount in box 12 using code Y. For more information, see Notice 2008-115, 2008-52 I.R.B. 1367, available at [www.irs.gov/irb/2008-52\\_IRB/ar10.html](http://www.irs.gov/irb/2008-52_IRB/ar10.html).

Income included under section 409A from an NQDC plan will be reported in box 1, and in box 12 using code Z. This income is also subject to an additional tax of 20% that is reported on Form 1040. For more information on amounts includible in gross income and reporting requirements, see proposed Regulations section 1.409A-4, 2008-51 I.R.B. 1325, and Notice 2008-115. For information on correcting failures to comply with section 409A and related reporting, see Notice 2008-113, 2008-51 I.R.B. 1305, available at [www.irs.gov/irb/2008-51\\_IRB/ar12.html](http://www.irs.gov/irb/2008-51_IRB/ar12.html), Notice 2010-6, 2010-3 I.R.B. 275, available at [www.irs.gov/irb/2010-3\\_IRB/ar08.html](http://www.irs.gov/irb/2010-3_IRB/ar08.html), and Notice 2010-80, 2010-51 I.R.B. 853, available at [www.irs.gov/irb/2010-51\\_IRB/ar08.html](http://www.irs.gov/irb/2010-51_IRB/ar08.html).

**Railroad employers.** Railroad employers must file Form W-2 to report their employees' wages and income tax withholding in boxes 1 and 2. Electronic reporting may be required; see *Form W-2 e-filing* on page 3. If you have employees covered under the Federal Insurance Contributions Act (FICA) (social security and Medicare) and the Railroad Retirement Tax Act (RRTA), you must file a separate Form W-3 to transmit the Forms W-2 for each group of employees.

For employees covered by social security and Medicare, complete boxes 3, 4, 5, 6, and 7 of Form W-2 to show the social security and Medicare wages and the amounts withheld for social security and Medicare taxes. On the Form W-3 used to transmit these Forms W-2, check the "941" checkbox in box b.

For employees covered by RRRA tax, report the Tier I and Tier II taxes withheld in box 14 of Form W-2. Label them "Tier I tax" and "Tier II tax." Boxes 3, 4, 5, 6, and 7 apply only to covered social security and Medicare wages and taxes and are not to be used to report railroad retirement wages and taxes. On the Form W-3 used to transmit these Forms W-2, check the "CT-1" checkbox in box b.

**Repayments.** If an employee repays you for wages received in error, do not offset the repayments against current year's wages unless the repayments are for amounts received in error in the current year. Repayments made in the current year, but related to a prior year or years, must be repaid in gross, not net, and require special tax treatment by employees in some cases. You may advise the employee of the total repayments made during the current year and the amount (if any) related to prior years. This information will help the employee account for such repayments on his or her federal income tax return.

If the repayment was for a prior year, you must file Form W-2c with the SSA to correct only social security and Medicare wages and taxes.

Do not correct "Wages, tips, other compensation" in box 1, or "Federal income tax withheld" in box 2, on Form W-2c. File the "X" return that is appropriate for the return on which the wages were originally reported (Form 941-X, 943-X, 944-X, or CT-1X). Correct the social security and Medicare wages and taxes for the period during which the wages were originally paid. For information on reporting adjustments to Form 941, Form 943, Form 944, or Form CT-1, see section 13 of Pub. 15 (Circular E) or section 9 of Pub. 51 (Circular A).

**TIP** Tell your employee that the wages paid in error in a prior year remain taxable to him or her for that year. This is because the employee received and had use of those funds during that year. The employee is not entitled to file an amended return (Form 1040X) to recover the income tax on these wages. Instead, the employee is entitled to a deduction (or a credit, in some cases) for the repaid wages on his or her Form 1040 for the year of repayment. Refer your employee to Repayments in Pub. 525.

**Scholarship and fellowship grants.** Give a Form W-2 to each recipient of a scholarship or fellowship grant only if you are reporting amounts includible in income under section 117(c) (relating to payments for teaching, research, or other services required as a condition for receiving the qualified scholarship). Also see Pub. 15-A and Pub. 970. These payments are subject to federal income tax withholding. However, their taxability for social security and Medicare taxes depends on the nature of the employment and the status of the organization. See *Students, scholars, trainees, teachers, etc.*, in section 15 of Pub. 15 (Circular E).

**Sick pay.** If you had employees who received sick pay in 2011 from an insurance company or other third-party payer and the third party notified you of the amount of sick pay involved, you may be required to report the information on the employees' Forms W-2. If the insurance company or other third-party payer did not notify you in a timely manner about the sick pay payments, it must prepare Forms W-2 and W-3 for your employees showing the sick pay. For specific reporting instructions, see *Sick Pay Reporting* in section 6 of Pub. 15-A.

**SIMPLE retirement account.** An employee's salary reduction contributions to a SIMPLE (savings incentive match plan for employees) retirement account are not subject to federal income tax withholding but are subject to social security, Medicare, and railroad retirement taxes. Do not include an employee's contribution in box 1, but do include it in boxes 3 and 5. (Use box 14 if railroad retirement taxes apply.) An employee's total contribution also must be included in box 12 with code D or S.

An employer's matching or nonelective contribution to an employee's SIMPLE retirement account is not subject to federal income tax withholding or social security, Medicare, or railroad retirement taxes and is not to be shown on Form W-2.

For more information on SIMPLE retirement accounts, see Notice 98-4, 1998-1 C.B. 269. You can find Notice 98-4 on page 25 of Internal Revenue Bulletin 1998-2 at [www.irs.gov/pub/irs-irbs/irb98-02.pdf](http://www.irs.gov/pub/irs-irbs/irb98-02.pdf).

**Successor/predecessor employers.** If you buy or sell a business during the year, see Rev. Proc. 2004-53 for information on who must file Forms W-2 and employment tax returns. Rev. Proc. 2004-53, 2004-34 I.R.B. 320, is available at [www.irs.gov/irb/2004-34\\_IRB/ar13.html](http://www.irs.gov/irb/2004-34_IRB/ar13.html).

**Terminating a business.** If you terminate your business, you must provide Forms W-2 to your employees for the calendar year of termination by the due date of your final Form 941. You also must file Forms W-2 with the SSA by the last day of the month that follows the due date of your final Form 941. If filing on paper, make sure you obtain Forms W-2 and W-3 preprinted with the correct year. If e-filing, make sure your software has been updated for the current tax year.

However, if any of your employees are immediately employed by a successor employer, see *Successor/predecessor employers*, above. Also, see Rev. Proc. 96-57, 1996-2 C.B. 389, for information on automatic extensions for furnishing Forms W-2 to employees and filing Forms W-2. You can find Rev. Proc. 96-57 on page 14 of Internal Revenue Bulletin 1996-53 at [www.irs.gov/pub/irs-irbs/irb96-53.pdf](http://www.irs.gov/pub/irs-irbs/irb96-53.pdf).

**TIP** Get Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations, for information on reconciling wages and taxes reported on Forms W-2 with amounts reported on Forms 941, Form 943, or Form 944.

**Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) makeup amounts to a pension plan.** If an employee returned to your employment after military service and certain makeup amounts were contributed to a pension plan for a prior year(s) under the USERRA, report the prior year contributions separately in box 12. See the *TIP* before *Code D* on page 10. You also may report certain makeup amounts in box 14. See *Box 14—Other* on page 11.

Instead of reporting in box 12 (or box 14), you may choose to provide a separate statement to your employee showing USERRA

makeup contributions. The statement must identify the type of plan, the year(s) to which the contributions relate, and the amount contributed for each year.

## Penalties

The following penalties apply to the person or employer required to file Form W-2. The penalties apply to both paper filers and e-filers.



*Use of a reporting agent or other third-party payroll service provider does not relieve an employer of the responsibility to ensure that Forms W-2 are furnished to employees and that Forms W-2 and W-3 are filed with the SSA, correctly and on time.*

**Failure to file correct information returns by the due date.** If you fail to file a correct Form W-2 by the due date and cannot show reasonable cause, you may be subject to a penalty as provided under section 6721. The penalty applies if you:

- Fail to file timely,
- Fail to include all information required to be shown on Form W-2,
- Include incorrect information on Form W-2,
- File on paper forms when you are required to e-file,
- Report an incorrect TIN,
- Fail to report a TIN, or
- Fail to file paper Forms W-2 that are machine readable.

The amount of the penalty is based on when you file the correct Form W-2. The penalty is:

- \$30 per Form W-2 if you correctly file within 30 days (by March 30 if the due date is February 28); maximum penalty \$250,000 per year (\$75,000 for small businesses, defined below).
- \$60 per Form W-2 if you correctly file more than 30 days after the due date but by August 1, 2012; maximum penalty \$500,000 per year (\$200,000 for small businesses).
- \$100 per Form W-2 if you file after August 1, 2012, or you do not file required Forms W-2; maximum penalty \$1,500,000 per year (\$500,000 for small businesses).



*If you do not file corrections and you do not meet any of the exceptions to the penalty stated below, the penalty is \$100 per information return.*

**Exceptions to the penalty.** The following are exceptions to the failure to file correct information returns penalty.

1. The penalty will not apply to any failure that you can show was due to reasonable cause and not to willful neglect. In general, you must be able to show that your failure was due to an event beyond your control or due to significant mitigating factors. You also must be able to show that you acted in a responsible manner and took steps to avoid the failure.
2. An inconsequential error or omission is not considered a failure to include correct information. An inconsequential error or omission does not prevent or hinder the SSA/IRS from processing the Form W-2, from correlating the information required to be shown on the form with the information shown on the payee's tax return, or from otherwise putting the form to its intended use. Errors and omissions that are never inconsequential are those relating to:
  - A TIN,
  - A payee's surname, and
  - Any money amounts.
3. De minimis rule for corrections. Even though you cannot show reasonable cause, the penalty for failure to file correct Forms W-2 will not apply to a certain number of returns if you:
  - Filed those Forms W-2 on or before the required filing date,
  - Either failed to include all of the information required on the form or included incorrect information, and
  - Filed corrections of these forms by August 1, 2012.

If you meet all of the de minimis rule conditions, the penalty for filing incorrect information returns (including Form W-2) will not apply to the greater of 10 information returns (including Form W-2) or one-half of 1% of the total number of information returns (including Form W-2) that you are required to file for the calendar year.

**Small businesses.** For purposes of the lower maximum penalties shown in parentheses earlier, you are a small business if your average annual gross receipts for the 3 most recent tax years (or for the period that you were in existence, if shorter) ending before the calendar year in which the Forms W-2 were due are \$5 million or less.

**Intentional disregard of filing requirements.** If any failure to file a correct Form W-2 is due to intentional disregard of the filing or correct information requirements, the penalty is at least \$250 per Form W-2 with no maximum penalty.

**Failure to furnish correct payee statements.** If you fail to provide correct payee statements (Forms W-2) to your employees and cannot show reasonable cause, you may be subject to a penalty as provided under section 6721. The penalty applies if you fail to provide the statement by January 31, 2012, if you fail to include all information

required to be shown on the statement, or if you include incorrect information on the statement.

The amount of the penalty is based on when you furnish the correct payee statement. This penalty is an additional penalty and is applied in the same manner, and with the same amounts, as the penalty for failure to file correct information returns by the due date (section 6721), described earlier.

**Exception.** An inconsequential error or omission is not considered a failure to include correct information. An inconsequential error or omission cannot reasonably be expected to prevent or hinder the payee from timely receiving correct information and reporting it on his or her income tax return or from otherwise putting the statement to its intended use. Errors and omissions that are never inconsequential are those relating to:

- A dollar amount,
- A significant item in a payee's address, and
- The appropriate form for the information provided, such as whether the form is an acceptable substitute for the official IRS form.

**Intentional disregard of payee statement requirements.** If any failure to provide a correct payee statement (Form W-2) to an employee is due to intentional disregard of the requirements to furnish a correct payee statement, the penalty is at least \$250 per Form W-2 with no maximum penalty.

**Civil damages for fraudulent filing of Forms W-2.** If you willfully file a fraudulent Form W-2 for payments that you claim you made to another person, that person may be able to sue you for damages. You may have to pay \$5,000 or more.

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## Specific Instructions for Form W-2

**How to complete Form W-2.** Form W-2 is a six-part form. Ensure all copies are legible. Send Copy A to the SSA; Copy 1, if required, to your state, city, or local tax department; and Copies B, C, and 2 to your employee. Keep Copy D, and a copy of Form W-3, with your records for 4 years.

Type the entries on Form W-2 using black ink in 12-point Courier font. Copy A is read by machine and must be typed clearly with no corrections made to the entries or entries exceeding the size of the boxes. Entries completed by hand, in script or italic fonts, or in colors other than black cannot be read by the machines. Make all dollar entries on Copy A without the dollar sign and comma but with the decimal point (00000.00). Show the cents portion of the money amounts. If a box does not apply, leave it blank.

Send the whole Copy A page of Form W-2 with Form W-3 to SSA even if one of the Forms W-2 on the page is blank or void. Do not staple Forms W-2 together or to Form W-3. File Forms W-2 either alphabetically by employees' last names or numerically by employees' SSNs.

**Calendar year basis.** The entries on Form W-2 must be based on wages paid during the calendar year. Use Form W-2 for the correct tax year. For example, if the employee worked from December 21, 2011, through January 4, 2012, and the wages for that period were paid on January 5, 2012, include those wages on the 2012 Form W-2.

**Multiple forms.** If necessary, you can issue more than one Form W-2 to an employee. For example, you may need to report more than four coded items in box 12 or you may want to report other compensation on a second form. If you issue a second Form W-2, complete boxes a, b, c, d, e, and f with the same information as on the first Form W-2. Show any items that were not included on the first Form W-2 in the appropriate boxes. Also, see the *TIP* for Copy A (Form W-2) on page 9.

Do not report the same federal tax data to the SSA on more than one Copy A.



*For each Form W-2 showing an amount in box 3 or box 7, make certain that box 5 equals or exceeds the sum of boxes 3 and 7.*

**Void.** Check this box when an error is made on Form W-2 and you are voiding it because you are going to complete a new Form W-2. Do not include any amounts shown on "Void" forms in the totals you enter on Form W-3. See *Corrections* on page 4.

**Box a—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 by completing Form SS-5, Application for a Social Security Card. The SSA lets you verify employee names and SSNs online or by telephone. For information about these free services, visit the Employer W-2 Filing Instructions & Information website at [www.socialsecurity.gov/employer](http://www.socialsecurity.gov/employer). If you have questions about using these services, call 1-888-772-6270 (toll free) to speak with an employer reporting specialist at the SSA.

If the employee has applied for a card but the number is not received in time for filing, enter "Applied For" in box a on paper Forms W-2 filed with the SSA. If e-filing, enter zeros (000-00-0000 if creating forms online or 000000000 if uploading a file).

Ask the employee to inform you of the number and name as they are shown on the social security card when it is received. Then correct your previous report by filing Form W-2c showing the employee's SSN. If the employee needs to change his or her name from that shown on the card, the employee should call the SSA at 1-800-772-1213.

If you do not provide the correct employee name and SSN on Form W-2, you may owe a penalty unless you have reasonable cause. For more information, see Publication 1586, Reasonable Cause Regulations and Requirements for Missing and Incorrect Name/TINs.

**Box b—Employer identification number (EIN).** Show the employer identification number (EIN) assigned to you by the IRS (00-0000000). This should be the same number that you used on your federal employment tax returns (Form 941, Form 943, Form 944, Form CT-1, or Schedule H (Form 1040)). Do not use a prior owner's EIN. If you do not have an EIN when filing Forms W-2, enter "Applied For" in box b; do not use your SSN. You can get an EIN by applying online at IRS.gov, by calling the toll free number, 1-800-829-4933, or by filing Form SS-4, Application for Employer Identification Number. Also see *Agent reporting* on page 3.

**Box c—Employer's name, address, and ZIP code.** This entry should be the same as shown on your Form 941, Form 943, Form 944, Form CT-1, or Schedule H (Form 1040). The U.S. Postal Service recommends that no commas or periods be used in return addresses. Also see *Agent reporting* on page 3.

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

**Boxes e and f—Employee's name and address.** Enter the name as shown on your employee's social security card (first name, middle initial, last name). If the name does not fit in the space allowed on the form, you may show the first and middle name initials and the full last name. It is especially important to report the exact last name of the employee. If you are unable to determine the correct last name, use of the SSA's SSNVS may be helpful. Separate parts of a compound name with either a hyphen or a blank. Do not join them into a single word. Include all parts of a compound name in the appropriate name field. For example, for the name "John R Smith-Jones", enter "Smith-Jones" or "Smith Jones" in the last name field. If the name has changed, the employee must get a corrected social security card from any SSA office. Use the name on the original card until you see the corrected card. Do not show titles or academic degrees, such as "Dr.," "RN," or "Esq.," at the beginning or end of the employee's name. Generally, do not enter "Jr.," "Sr.," or other suffix in the "Suff." box on Copy A unless the suffix appears on the card. However, the SSA still prefers that you do not enter the suffix on Copy A.

Include in the address the number, street, and apartment or suite number (or P.O. box number if mail is not delivered to a street address). The U.S. Postal Service recommends that no commas or periods be used in delivery addresses. For a foreign address, give the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

Third-party payers of sick pay filing third-party sick pay recap Forms W-2 and W-3 must enter "Third-Party Sick Pay Recap" in place of the employee's name in box e. Also, do not enter the employee's SSN in box a. See *Sick Pay Reporting* in section 6 of Pub. 15-A.

**Box 1—Wages, tips, other compensation.** Show the total taxable wages, tips, and other compensation (before any payroll deductions) that you paid to your employee during the year. However, do not include elective deferrals (such as employee contributions to a section 401(k) or 403(b) plan) except section 501(c)(18) contributions. Include the following.

1. Total wages, bonuses (including signing bonuses), prizes, and awards paid to employees during the year. See *Calendar year basis* on page 7.
2. Total noncash payments, including certain fringe benefits. See *Fringe benefits* on page 5.
3. Total tips reported by the employee to the employer (not allocated tips).
4. Certain employee business expense reimbursements (see *Employee business expense reimbursements* on page 5).
5. The cost of accident and health insurance premiums for 2%-or-more shareholder-employees paid by an S corporation.
6. Taxable benefits from a section 125 (cafeteria) plan if the employee chooses cash.
7. Employee contributions to an Archer MSA.
8. Employer contributions to an Archer MSA if includible in the income of the employee. See *Archer MSA* on page 4.

9. Employer contributions for qualified long-term care services to the extent that such coverage is provided through a flexible spending or similar arrangement.

10. Taxable cost of group-term life insurance in excess of \$50,000. See *Group-term life insurance* on page 5.

11. Unless excludable under *Educational assistance programs* (see page 5), payments for non-job-related education expenses or for payments under a nonaccountable plan. See Pub. 970.

12. The amount includible as wages because you paid your employee's share of social security and Medicare taxes. See *Employee's social security and Medicare taxes paid by employer* on page 5. If you also paid your employee's income tax withholding, treat the grossed-up amount of that withholding as supplemental wages and report those wages in boxes 1, 3, 5, and 7. No exceptions to this treatment apply to household or agricultural wages.

13. Designated Roth contributions made under a section 401(k) plan or under a section 403(b) salary reduction agreement. See *Designated Roth contributions* on page 5.

14. Distributions to an employee or former employee from an NQDC plan (including a rabbi trust) or a nongovernmental section 457(b) plan.

15. Amounts includible in income under section 457(f) because the amounts are no longer subject to a substantial risk of forfeiture.

16. Payments to statutory employees who are subject to social security and Medicare taxes but not subject to federal income tax withholding must be shown in box 1 as other compensation. See *Statutory employee* on page 11.

17. Cost of current insurance protection under a compensatory split-dollar life insurance arrangement.

18. Employee contributions to a health savings account (HSA).

19. Employer contributions to an HSA if includible in the income of the employee. See *Health savings account (HSA)* on page 5.

20. Amounts includible in income under an NQDC plan because of section 409A. See *Nonqualified deferred compensation plans* on page 6.

21. Payments made to former employees while they are on active duty in the Armed Forces or other uniformed services.

22. All other compensation, including certain scholarship and fellowship grants (see page 6). Other compensation includes taxable amounts that you paid to your employee from which federal income tax was not withheld. You may show other compensation on a separate Form W-2. See *Multiple forms* on page 7.

**Box 2—Federal income tax withheld.** Show the total federal income tax withheld from the employee's wages for the year. Include the 20% excise tax withheld on excess parachute payments. See *Golden parachute payments* on page 5.

**Box 3—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. If reporting these amounts in a subsequent year (due to lapse of risk of forfeiture), the amount must be adjusted by any gain or loss. See *Box 7—Social security tips* and *Box 8—Allocated tips* on page 9. Generally, noncash payments are considered to be wages. Include employee business expense reimbursements reported in box 1. If you paid the employee's share of social security and Medicare taxes rather than deducting them from wages, see *Employee's social security and Medicare taxes paid by employer* on page 5. The total of boxes 3 and 7 cannot exceed \$106,800 (2011 maximum social security wage base).

Report in box 3 elective deferrals to certain qualified cash or deferred compensation arrangements and to retirement plans described in box 12 (codes D, E, F, G, and S) even though the deferrals are not includible in box 1. Also report in box 3 designated Roth contributions made under a section 401(k) plan, under a section 403(b) salary reduction agreement, or under a governmental section 457(b) plan described in box 12 (codes AA, BB, and EE).

Amounts deferred (plus earnings or less losses) under a section 457(f) or nonqualified plan or nongovernmental section 457(b) plan must be included in boxes 3 and/or 5 as social security and/or Medicare wages as of the later of when the services giving rise to the deferral are performed or when there is no substantial forfeiture risk of the rights to the deferred amount. Include both elective and nonelective deferrals for purposes of nongovernmental section 457(b) plans.



*Wages reported in box 3 include:*

- Signing bonuses an employer pays for signing or ratifying an employment contract. See *Rev. Rul. 2004-109, 2004-50 I.R.B. 958*, available at [www.irs.gov/irb/2004-50\\_IRB/ar07.html](http://www.irs.gov/irb/2004-50_IRB/ar07.html).
- Taxable cost of group-term life insurance over \$50,000 included in box 1. See *Group-term life insurance* on page 5.
- Cost of accident and health insurance premiums for 2%-or-more shareholder-employees paid by an S corporation, but only if not excludable under section 3121(a)(2)(B).



- *Employee and nonexcludable employer contributions to an MSA or HSA. However, do not include employee contributions to an HSA that were made through a cafeteria plan. See Archer MSA on page 4 and Health savings account (HSA) on page 5.*
- *Employee contributions to a SIMPLE retirement account. See SIMPLE retirement account on page 6.*
- *Adoption benefits. See Adoption benefits on page 3.*

**Box 4—Social security tax withheld.** Show the total employee social security tax (not your share) withheld, including social security tax on tips. For 2011, the amount should not exceed \$4,485.60 (\$106,800 × 4.2%). Include only taxes withheld (or paid by you for the employee) for 2011 wages and tips. If you paid your employee's share, see *Employee's social security and Medicare taxes paid by employer* on page 5.

**Box 5—Medicare wages and tips.** The wages and tips subject to Medicare tax are the same as those subject to social security tax (boxes 3 and 7) except that there is no wage base limit for Medicare tax. Enter the total Medicare wages and tips in box 5. Be sure to enter tips that the employee reported even if you did not have enough employee funds to collect the Medicare tax for those tips. See *Box 3—Social security wages* on page 8 for payments to report in this box. If you paid your employee's share of taxes, see *Employee's social security and Medicare taxes paid by employer* on page 5.

If you are a federal, state, or local governmental agency with employees paying only the 1.45% Medicare tax, enter the Medicare wages in this box. See *Government employers* on page 5.

**Example of how to report social security and Medicare wages.** You paid your employee \$140,000 in wages. Enter in box 3 (social security wages) 106800.00 but enter in box 5 (Medicare wages and tips) 140000.00. There is no limit on the amount reported in box 5. If the amount of wages paid was \$106,800 or less, the amounts entered in boxes 3 and 5 would be the same.

**Box 6—Medicare tax withheld.** Enter the total employee Medicare tax (not your share) withheld. Include only tax withheld for 2011 wages and tips. If you paid your employee's share of the taxes, see *Employee's social security and Medicare taxes paid by employer* on page 5.

**Box 7—Social security tips.** Show the tips that the employee reported to you even if you did not have enough employee funds to collect the social security tax for the tips. The total of boxes 3 and 7 should not be more than \$106,800 (the maximum social security wage base for 2011). Report all tips in box 1 along with wages and other compensation. Include any tips reported in box 7 in box 5 also.

**Box 8—Allocated tips.** If you are a food or beverage establishment, show the 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 boxes 1, 3, 5, or 7.

**Box 9.** Do not enter an amount in box 9.

**Box 10—Dependent care benefits.** Show the total dependent care benefits under a dependent care assistance program (section 129) paid or incurred by you for your employee. Include the fair market value (FMV) of care in a daycare facility provided or sponsored by you for your employee and amounts paid or incurred for dependent care assistance in a section 125 (cafeteria) plan. Report all amounts paid or incurred (regardless of any employee forfeitures), including those in excess of the \$5,000 exclusion. This may include (a) the FMV of benefits provided in kind by the employer, (b) an amount paid directly to a daycare facility by the employer or reimbursed to the employee to subsidize the benefit, or (c) benefits from the pre-tax contributions made by the employee under a section 125 dependent care flexible spending account. Include any amounts over \$5,000 in boxes 1, 3, and 5. For more information, see Pub. 15-B.

**TIP** *An employer that amends its cafeteria plan to provide a grace period for dependent care assistance may continue to rely on Notice 89-111 by reporting in box 10 of Form W-2 the salary reduction amount elected by the employee for the year for dependent care assistance (plus any employer matching contributions attributable to dependent care). Also see Notice 2005-42, 2005-23 I.R.B. 1204, available at [www.irs.gov/irb/2005-23\\_IRB/ar11.html](http://www.irs.gov/irb/2005-23_IRB/ar11.html).*

**Box 11—Nonqualified plans.** The purpose of box 11 is for the SSA to determine if any part of the amount reported in box 1 or boxes 3 and 5 was earned in a prior year. The SSA uses this information to verify that they have properly applied the social security earnings test and paid the correct amount of benefits.

Show distributions to an employee from a nonqualified plan or a nongovernmental section 457(b) plan. Also report these distributions in box 1. Make only one entry in this box. Distributions from governmental section 457(b) plans must be reported on Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., not in box 1 of Form W-2.

If you did not make distributions this year, show deferrals (plus earnings or less losses) under a nonqualified or any section 457(b) plan that became taxable for social security and Medicare taxes during the year (but were for prior year services) because the deferred amounts were no longer subject to a substantial risk of forfeiture. Also report these amounts in boxes 3 (up to the social security wage base) and 5. Do not report in box 11 deferrals included in boxes 3 and/or 5 and deferrals for current year services (such as those with no risk of forfeiture).



**CAUTION** *If you made distributions and also are reporting any deferrals in box(es) 3 and/or 5, do not complete box 11. See Pub. 957, Reporting Back Pay and Special Wage Payments to the Social Security Administration, and Form SSA-131, Employer Report of Special Wage Payments, for instructions on reporting these and other kinds of compensation earned in prior years. However, do not file Form SSA-131 if this situation applies but the employee will not be age 62 or older by the end of that year.*

Unlike qualified plans, NQDC plans do not meet the qualification requirements for tax-favored status for this purpose. NQDC plans include those arrangements traditionally viewed as deferring the receipt of current compensation. Accordingly, welfare benefit plans, stock option plans, and plans providing dismissal pay, termination pay, or early retirement pay are not NQDC plans.

Report distributions from NQDC or section 457 plans to beneficiaries of deceased employees on Form 1099-MISC, not on Form W-2.

Military employers must report military retirement payments on Form 1099-R.



**TIP** *Do not report special wage payments, such as accumulated sick pay or vacation pay, in box 11. For more information on reporting special wage payments, see Pub. 957.*

**Box 12—Codes.** Complete and code this box for all items described below. Note that the codes do not relate to where they should be entered in boxes 12a through 12d on Form W-2. For example, if you are only required to report code D in box 12, you can enter code D and the amount in box 12a of Form W-2. Report in box 12 any items that are listed as codes A through EE. Do not report in box 12 section 414(h)(2) contributions (relating to certain state or local government plans). Instead, use box 12 for these items and any other information that you wish to give to your employee. For example, union dues and uniform payments may be reported in box 14.



**TIP** *On Copy A (Form W-2), do not enter more than four items in box 12. If more than four items need to be reported in box 12, use a separate Form W-2 to report the additional items (but enter no more than four items on each Copy A (Form W-2)). On all other copies of Form W-2 (Copies B, C, etc.), you may enter more than four items in box 12 when using an approved substitute Form W-2. See Multiple forms on page 7.*

Use the IRS code designated below for the item you are entering, followed by the dollar amount for that item. Even if only one item is entered, you must use the IRS code designated for that item. Enter the code using a capital letter(s). Use decimal points but not dollar signs or commas. For example, if you are reporting \$5,300.00 in elective deferrals under a section 401(k) plan, the entry would be D 5300.00 (not A 5300.00 even though it is the first or only entry in this box). Report the IRS code to the left of the vertical line in boxes 12a through 12d and the money amount to the right of the vertical line.

See the *Form W-2 Reference Guide for Box 12 Codes* on page 13. See also the detailed instructions below for each code.

**Code A—Uncollected social security or RRTA tax on tips.** Show the employee social security or Railroad Retirement Tax Act (RRTA) tax on all of the employee's tips 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 4.

**Code B—Uncollected Medicare tax on tips.** Show the employee Medicare tax or RRTA Medicare tax on tips 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 6.

**Code C—Taxable cost of group-term life insurance over \$50,000.** Show the taxable cost of group-term life insurance coverage over \$50,000 provided to your employee (including a former employee). See *Group-term life insurance* on page 5. Also include this amount in boxes 1, 3 (up to the social security wage base), and 5.

**Codes D through H, S, Y, AA, BB, and EE.** Use these codes to show elective deferrals and designated Roth contributions made to the plans listed. Do not report amounts for other types of plans. See the example for reporting elective deferrals under a section 401(k) plan on page 10.

The amount reported as elective deferrals and designated Roth contributions is only the part of the employee's salary (or other

compensation) that he or she did not receive because of the deferrals or designated Roth contributions. Only elective deferrals and designated Roth contributions should be reported in box 12 for all coded plans; except, when using code G for section 457(b) plans, include both elective and nonelective deferrals.

For employees who were 50 years of age or older at any time during the year and made elective deferral and/or designated Roth "catch-up" contributions, report the elective deferrals and the elective deferral "catch-up" contributions as a single sum in box 12 using the appropriate code, and the designated Roth contributions and designated Roth "catch-up" contributions as a single sum in box 12 using the appropriate code.



**TIP** If any elective deferrals, salary reduction amounts, or nonelective contributions under a section 457(b) plan during the year are makeup amounts under the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) for a prior year, you must enter the prior year contributions separately. Beginning with the earliest year, enter the code, the year, and the amount. For example, elective deferrals of \$2,250 for 2009 and \$1,250 for 2010 under USERRA under a section 401(k) plan are reported in box 12 as follows:

D 09 2250.00, D 10 1250.00. A 2011 contribution of \$7,000 does not require a year designation; enter it as D 7000.00. Report the code (and year for prior year USERRA contributions) to the left of the vertical line in boxes 12a through 12d.

The following are not elective deferrals and may be reported in box 14, but not in box 12.

- Nonelective employer contributions made on behalf of an employee.
- After-tax contributions that are not designated Roth contributions, such as voluntary contributions to a pension plan that are deducted from an employee's pay. See the instructions on page 11 in codes AA, BB, and EE for reporting designated Roth contributions.
- Required employee contributions.
- Employer matching contributions.

**Code D—Elective deferrals under section 401(k) cash or deferred arrangement (plan).** Also show deferrals under a SIMPLE retirement account that is part of a section 401(k) arrangement.

**Example of reporting excess elective deferrals and designated Roth contributions under a section 401(k) plan.** For 2011, Employee A (age 45) elected to defer \$18,300 under a section 401(k) plan. The employee also made a designated Roth contribution to the plan of \$1,000, and made a voluntary (non-Roth) after-tax contribution of \$600. In addition, the employer, on A's behalf, made a qualified nonelective contribution of \$2,000 to the plan and a nonelective profit-sharing employer contribution of \$3,000.

Even though the 2011 limit for elective deferrals and designated Roth contributions is \$16,500, the employee's total elective deferral amount of \$18,300 is reported in box 12 with code D (D 18300.00). The designated Roth contribution is reported in box 12 with code AA (AA 1000.00). The employer must separately report the actual amounts of \$18,300 and \$1,000 in box 12 with the appropriate codes. The amount deferred in excess of the limit is not reported in box 1. The return of excess salary deferrals and excess designated contributions, including earnings on both, is reported on Form 1099-R.

The \$600 voluntary after-tax contribution may be reported in box 14 (this is optional) but not in box 12. The \$2,000 nonelective contribution and the \$3,000 nonelective profit-sharing employer contribution are not required to be reported on Form W-2, but may be reported in box 14.

Check the "Retirement plan" box in box 13.

**Code E—Elective deferrals under a section 403(b) salary reduction agreement.**

**Code F—Elective deferrals under a section 408(k)(6) salary reduction SEP.**

**Code G—Elective deferrals and employer contributions (including nonelective deferrals) to any governmental or nongovernmental section 457(b) deferred compensation plan.** Do not report either section 457(b) or section 457(f) amounts that are subject to a substantial risk of forfeiture.

**Code H—Elective deferrals under section 501(c)(18)(D) tax-exempt organization plan.** Be sure to include this amount in box 1 as wages. The employee will deduct the amount on his or her Form 1040.

**Code J—Nontaxable sick pay.** Show any sick pay that was paid by a third-party and was not includible in income (and not shown in boxes 1, 3, and 5) because the employee contributed to the sick pay plan. Do not include nontaxable disability payments made directly by a state.

**Code K—20% excise tax on excess golden parachute payments.** If you made excess "golden parachute" payments to certain key corporate employees, report the 20% excise tax on these

payments. If the excess payments are considered to be wages, report the 20% excise tax withheld as income tax withheld in box 2.

**Code L—Substantiated employee business expense reimbursements.** Use this code only if you reimbursed your employee for employee business expenses using a per diem or mileage allowance and the amount that you reimbursed exceeds the amount treated as substantiated under IRS rules. See *Employee business expense reimbursements* on page 5.

Report in box 12 only the amount treated as substantiated (such as the nontaxable part). Include in boxes 1, 3 (up to the social security wage base), and 5 the part of the reimbursement that is more than the amount treated as substantiated.

**Code M—Uncollected social security or RRTA tax on taxable cost of group-term life insurance over \$50,000 (for former employees).** If you provided your former employees (including retirees) more than \$50,000 of group-term life insurance coverage for periods during which an employment relationship no longer exists, enter the amount of uncollected social security or RRTA tax on the coverage in box 12. Also see *Group-term life insurance* on page 5.

**Code N—Uncollected Medicare tax on taxable cost of group-term life insurance over \$50,000 (for former employees).** If you provided your former employees (including retirees) more than \$50,000 of group-term life insurance coverage for periods during which an employment relationship no longer exists, enter the amount of uncollected Medicare tax or RRTA Medicare tax on the coverage in box 12. Also see *Group-term life insurance* on page 5.

**Code P—Excludable moving expense reimbursements paid directly to employee.** Show the total moving expense reimbursements that you paid directly to your employee for qualified (deductible) moving expenses. See *Moving expenses* on page 6.

**Code Q—Nontaxable combat pay.** If you are a military employer, report any nontaxable combat pay in box 12.

**Code R—Employer contributions to an Archer MSA.** Show any employer contributions to an Archer MSA. See *Archer MSA* on page 4.

**Code S—Employee salary reduction contributions under a section 408(p) SIMPLE.** Show deferrals under a section 408(p) salary reduction SIMPLE retirement account. However, if the SIMPLE is part of a section 401(k) arrangement, use code D. If you are reporting prior year contributions under USERRA, see the *TIP* before *Code D*, on this page.

**Code T—Adoption benefits.** Show the total that you paid or reimbursed for qualified adoption expenses furnished to your employee under an adoption assistance program. Also include adoption benefits paid or reimbursed from the pre-tax contributions made by the employee under a section 125 (cafeteria) plan. However, do not include adoption benefits forfeited from a section 125 (cafeteria) plan. Report all amounts including those in excess of the \$13,360 exclusion. For more information, see *Adoption benefits* on page 3.

**Code V—Income from the exercise of nonstatutory stock option(s).** Show the spread (that is, the fair market value of stock over the exercise price of option(s) granted to your employee with respect to that stock) from your employee's (or former employee's) exercise of nonstatutory stock option(s). Include this amount in boxes 1, 3 (up to the social security wage base), and 5.

This reporting requirement does not apply to the exercise of a statutory stock option, or the sale or disposition of stock acquired pursuant to the exercise of a statutory stock option. For more information about the taxability of employee stock options, see Pub. 15-B.

**Code W—Employer contributions to a health savings account (HSA).** Show any employer contributions (including amounts the employee elected to contribute using a section 125 (cafeteria) plan) to an HSA. See *Health savings account (HSA)* on page 5.

**Code Y—Deferrals under a section 409A nonqualified deferred compensation plan.** It is not necessary to show deferrals in box 12 with code Y. For more information, see Notice 2008-115. However, if you report these deferrals, show current year deferrals, including earnings during the year on current year and prior year deferrals. See *Nonqualified deferred compensation plans* on page 6.

**Code Z—Income under section 409A on a nonqualified deferred compensation plan.** Enter all amounts deferred (including earnings on amounts deferred) that are includible in income under section 409A because the NQDC plan fails to satisfy the requirements of section 409A. Do not include amounts properly reported on a Form 1099-MISC, corrected Form 1099-MISC, Form W-2, or Form W-2c for a prior year. Also, do not include amounts that are considered to be subject to a substantial risk of forfeiture for purposes of section 409A. For more information, see Regulations sections 1.409A-1 through 1.409A-6 and Notice 2008-115.

The amount reported in box 12 using code Z is also reported in box 1 and is subject to an additional tax reported on the employee's Form 1040. See *Nonqualified deferred compensation plans* on page 6.

For information regarding correcting section 409A errors and related reporting, see Notice 2008-113, Notice 2010-6, and Notice 2010-80.

**Code AA—Designated Roth contributions under a section 401(k) plan.** Use this code to report designated Roth contributions under a section 401(k) plan. Do not use this code to report elective deferrals under code D. See *Designated Roth contributions* on page 5.

**Code BB—Designated Roth contributions under a section 403(b) plan.** Use this code to report designated Roth contributions under a section 403(b) plan. Do not use this code to report elective deferrals under code E. See *Designated Roth contributions* on page 5.

**Code DD—Cost of employer-sponsored health coverage.** Use this code to report the cost of employer-sponsored health coverage. **The amount reported with code DD is not taxable.** See *Interim relief for Form W-2 reporting of the cost of group health insurance* on page 1.

**Code EE—Designated Roth contributions under a governmental section 457(b) plan.** Use this code to report designated Roth contributions under a governmental section 457(b) plan. Do not use this code to report elective deferrals under code G. See *Designated Roth contributions* on page 5.

**Box 13—Checkboxes.** Check all 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. Do not check this box for common-law employees. There are workers who are independent contractors under the common-law rules but are treated by statute as employees. They are called statutory employees.

1. A driver who distributes beverages (other than milk), or meat, vegetable, fruit, or bakery products; or who picks up and delivers laundry or dry cleaning if the driver is your agent or is paid on commission.

2. A full-time life insurance sales agent whose principal business activity is selling life insurance or annuity contracts, or both, primarily for one life insurance company.

3. An individual who works at home on materials or goods that you supply and that must be returned to you or to a person you name if you also furnish specifications for the work to be done.

4. A full-time traveling or city salesperson who works on your behalf and turns in orders to you from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments. The goods sold must be merchandise for resale or supplies for use in the buyer's business operation. The work performed for you must be the salesperson's principal business activity.

For details on statutory employees and common-law employees, see section 1 in Pub. 15-A.

• **Retirement plan.** Check this box if the employee was an "active participant" (for any part of the year) in any of the following.

1. A qualified pension, profit-sharing, or stock-bonus plan described in section 401(a) (including a 401(k) plan).

2. An annuity plan described in section 403(a).

3. An annuity contract or custodial account described in section 403(b).

4. A simplified employee pension (SEP) plan described in section 408(k).

5. A SIMPLE retirement account described in section 408(p).

6. A trust described in section 501(c)(18).

7. A plan for federal, state, or local government employees or by an agency or instrumentality thereof (other than a section 457(b) plan).

Generally, an employee is an active participant if covered by (a) a defined benefit plan for any tax year that he or she is eligible to participate in or (b) a defined contribution plan (for example, a section 401(k) plan) for any tax year that employer or employee contributions (or forfeitures) are added to his or her account. For additional information on employees who are eligible to participate in a plan, contact your plan administrator. For details on the active participant rules, see Notice 87-16, 1987-1 C.B. 446; Notice 98-49, 1998-2 C.B. 365; section 219(g)(5); and Pub. 590, Individual Retirement Arrangements (IRAs). You can find Notice 98-49 on page 5 of Internal Revenue Bulletin 1998-38 at [www.irs.gov/pub/irs-irbs/irb98-38.pdf](http://www.irs.gov/pub/irs-irbs/irb98-38.pdf). Also see Notice 2000-30, which is on page 1266 of Internal Revenue Bulletin 2000-25 at [www.irs.gov/pub/irs-irbs/irb00-25.pdf](http://www.irs.gov/pub/irs-irbs/irb00-25.pdf).



Do not check this box for contributions made to a nonqualified or section 457(b) plan.

• **Third-party sick pay.** Check this box only if you are a third-party sick pay payer filing a Form W-2 for an insured's employee or are an employer reporting sick pay payments made by a third party. See *Sick Pay Reporting* in section 6 of Pub. 15-A.

**Box 14—Other.** If you included 100% of a vehicle's annual lease value in the employee's income, it also must be reported here or on a separate statement to your employee. You also may use this box for any other information that you want to give to your employee. Label each item. Examples include state disability insurance taxes withheld, union dues, uniform payments, health insurance premiums deducted, nontaxable income, educational assistance payments, or a member of the clergy's parsonage allowance and utilities. In addition, you may enter the following contributions to a pension plan: (a) nonelective employer contributions made on behalf of an employee, (b) voluntary after-tax contributions (but not designated Roth contributions) that are deducted from an employee's pay, (c) required employee contributions, and (d) employer matching contributions.

If you are reporting prior year contributions under USERRA (see the TIP before Code D on page 10 and *Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) makeup amounts to a pension plan* on page 6), you may report in box 14 makeup amounts for nonelective employer contributions, voluntary after-tax contributions, required employee contributions, and employer matching contributions. Report such amounts separately for each year. Railroad employers, see page 6.

**Boxes 15 through 20—State and local income tax information.** Use these boxes to report state and local income tax information. Enter the two-letter abbreviation for the name of the state. The employer's state ID numbers are assigned by the individual states. The state and local information boxes can be used to report wages and taxes for two states and two localities. Keep each state's and locality's information separated by the broken line. If you need to report information for more than two states or localities, prepare a second Form W-2. See *Multiple forms* on page 7. Contact your state or locality for specific reporting information.

## Specific Instructions for Form W-3

**How to complete Form W-3.** The instructions under *How to complete Form W-2* on page 7 generally apply to Form W-3. Type entries using black ink. Scanners cannot read entries if the type is too light. Be sure to send the entire page of the Form W-3.



Amounts reported on related employment tax forms (for example, Form W-2, Form 941, Form 943, or Form 944) should agree with the amounts reported on Form W-3. If there are differences, you may be contacted by the IRS and SSA. You should retain a reconciliation for future reference. See Reconciling Forms W-2, W-3, 941, 943, 944, CT-1, and Schedule H (Form 1040) on page 12.

**Box a—Control number.** This is an optional box that you may use for numbering the whole transmittal.

**Box b—Kind of Payer.** Check the box that applies to you. Check only one box. If you have more than one type of Form W-2, send each type with a separate Form W-3.

**Note.** The "Third-party sick pay" indicator box does not designate a separate kind of payer.

**941.** Check this box if you file Form 941, Employer's QUARTERLY Federal Tax Return, and no other category applies. A church or church organization should check this box even if it is not required to file Form 941 or Form 944.

**Military.** Check this box if you are a military employer sending Forms W-2 for members of the uniformed services.

**943.** Check this box if you are an agricultural employer and file Form 943, Employer's Annual Federal Tax Return for Agricultural Employees, and you are sending Forms W-2 for agricultural employees. For nonagricultural employees, send their Forms W-2 with a separate Form W-3, checking the appropriate box.

**944.** Check this box if you file Form 944, Employer's ANNUAL Federal Tax Return (or Formulario 944(SP), its Spanish version), and no other category applies.

**CT-1.** Check this box if you are a railroad employer sending Forms W-2 for employees covered under the Railroad Retirement Tax Act (RRTA). Do not show employee RRTA tax in boxes 3 through 7. These boxes are only for social security and Medicare information. If you also have employees who are subject to social security and Medicare taxes, send that group's Forms W-2 with a separate Form W-3 and check the "941" checkbox on that Form W-3.

**Hshld. emp.** Check this box if you are a household employer sending Forms W-2 for household employees and you did not include the household employee's taxes on Form 941, Form 943, or Form 944.

**Medicare govt. emp.** Check this box if you are a U.S., state, or local agency filing Forms W-2 for employees subject only to the 1.45% Medicare tax. See *Government employers* on page 5.

**Box b—Kind of Employer** Check the box that applies to you. Check only one box unless the second checked box is "Third-party sick pay".

**None apply.** Check this box if none of the checkboxes below apply to you.

**501c non-govt.** Check this box if you are a non-governmental tax-exempt section 501(c) organization.

**State/local non-501c.** Check this box if you are a state or local government or instrumentality that is not a tax-exempt section 501(c) organization.

**State/local 501c.** Check this box if you are a dual status state or local government or instrumentality that is also a tax-exempt section 501(c) organization.

**Federal govt.** Check this box if you are a Federal government entity or instrumentality.

**Box b—Third-party sick pay.** Check this box if you are a third-party sick pay payer (or are reporting sick pay payments made by a third party) filing Forms W-2 with the “Third-party sick pay” checkbox in box 13 checked. File a single Form W-3 for the regular and “Third-party sick pay” Forms W-2. See 941 on page 11.

**Box c—Total number of Forms W-2.** Show the number of completed individual Forms W-2 that you are transmitting with this Form W-3. Do not count “Void” Forms W-2.

**Box d—Establishment number.** You may use this box to identify separate establishments in your business. You may file a separate Form W-3, with Forms W-2, for each establishment even if they all have the same EIN; or you may use a single Form W-3 for all Forms W-2 of the same type.

**Box e—Employer identification number (EIN).** Enter the nine-digit EIN assigned to you by the IRS. The number should be the same as shown on your Form 941, Form 943, Form 944, Form CT-1, or Schedule H (Form 1040) and in the following format: 00-0000000. Do not use a prior owner’s EIN. See *Box h—Other EIN used this year* below.

If you do not have an EIN when filing your Form W-3, enter “Applied For” in box e, not your social security number (SSN), and see *Box b—Employer identification number (EIN)* on page 8.

**Box f—Employer’s name.** Enter the same name as shown on your Form 941, Form 943, Form 944, or Form CT-1.

**Box g—Employer’s address and ZIP code.** Enter your address.

**Box h—Other EIN used this year.** If you have used an EIN (including a prior owner’s EIN) on Form 941, Form 943, Form 944, or Form CT-1 submitted for 2011 that is different from the EIN reported on Form W-3 in box e, enter the other EIN used. Agents generally report the employer’s EIN in box h. See *Agent reporting* on page 3.

**Contact person, telephone number, fax number, and email address.** Include this information for use by the SSA if any questions arise during processing.



*The amounts to enter in boxes 1 through 19, described below, are totals from only the Forms W-2 (excluding any Forms W-2 marked “VOID”) that you are sending with this Form W-3.*

**Boxes 1 through 8.** Enter the totals reported in boxes 1 through 8 on the Forms W-2.

**Box 9.** Do not enter an amount in box 9.

**Box 10—Dependent care benefits.** Enter the total reported in box 10 on Forms W-2.

**Box 11—Nonqualified plans.** Enter the total reported in box 11 on Forms W-2.

**Box 12a—Deferred compensation.** Enter the total of all amounts reported with codes D through H, S, Y, AA, BB, and EE in box 12 on Forms W-2. Do not enter a code.



*The total of Form W-2 box 12 amounts reported with Codes A through C, J through R, T through W, Z, and DD is not reported on Form W-3.*

**Box 13—For third-party sick pay use only.** Third-party payers of sick pay (or employers using the optional rule for Form W-2 described in section 6 of Pub. 15-A) filing third-party sick pay recap Forms W-2 and W-3 must enter “Third-Party Sick Pay Recap” in this box.

**Box 14—Income tax withheld by payer of third-party sick pay.** Complete this box only if you are the employer and have employees who had federal income tax withheld on third-party payments of sick pay. Show the total income tax withheld by third-party payers on payments to all of your employees. Although this tax is included in the box 2 total, it must be separately shown here.

**Box 15—State/Employer’s state ID number.** Enter the two-letter abbreviation for the name of the state being reported on Form(s) W-2. Also enter your state-assigned ID number. If the Forms W-2 being submitted with this Form W-3 contain wage and income tax information from more than one state, enter an “X” under “State” and do not enter any state ID number.

**Boxes 16 through 19.** Enter the total of state/local wages and income tax shown in their corresponding boxes on the Forms W-2 included with this Form W-3. If the Forms W-2 show amounts from more than one state or locality, report them as one sum in the appropriate box on Form W-3. Verify the amount reported in each box is an accurate total of the Forms W-2.

## Reconciling Forms W-2, W-3, 941, 943, 944, CT-1, and Schedule H (Form 1040)

Reconcile the amounts shown in boxes 2, 3, 5, and 7 from all 2011 Forms W-3 with their respective amounts from the 2011 yearly totals from the quarterly Forms 941, or annual Form 943, Form 944, Form CT-1 (box 2 only), and Schedule H (Form 1040). When there are discrepancies between amounts reported on Forms W-2 and W-3 filed with the SSA and on Form 941, Form 943, Form 944, Form CT-1, or Schedule H (Form 1040) filed with the IRS, you will be contacted to resolve the discrepancies.

### To help reduce discrepancies on Forms W-2:

- Report bonuses as wages and as social security and Medicare wages on Form W-2, and on Forms 941, 943, 944, and Schedule H (Form 1040).
- Report both social security and Medicare wages and taxes separately on Forms W-2 and W-3, and on Forms 941, 943, 944, and Schedule H (Form 1040).
- Report social security taxes withheld on Form W-2 in box 4, not in box 3.
- Report Medicare taxes withheld on Form W-2 in box 6, not in box 5.
- Do not report a nonzero amount in box 4 if boxes 3 and 7 are both zero.
- Do not report a nonzero amount in box 6 if box 5 is zero.
- Do not report an amount in box 5 that is less than the sum of boxes 3 and 7.
- Make sure that the social security wage amount for each employee does not exceed the annual social security wage base limit (\$106,800 for 2011).
- Do not report noncash wages that are not subject to social security or Medicare taxes as social security or Medicare wages.
- If you use an EIN on any quarterly Form 941 for the year (or annual Forms 943, 944, CT-1, and Schedule H (Form 1040)) that is different from the EIN reported in box e on Form W-3, enter the other EIN in box h on Form W-3.

### To reduce the discrepancies between amounts reported on Forms W-2 and W-3, and Forms 941, 943, 944, CT-1, and Schedule H (Form 1040):

- Be sure that the amounts on Form W-3 are the total amounts from Forms W-2.
- Reconcile Form W-3 with your four quarterly Forms 941 (or annual Forms 943, 944, CT-1, and Schedule H (Form 1040)) by comparing amounts reported for:
  1. Income tax withholding (box 2).
  2. Social security wages, Medicare wages and tips, and social security tips (boxes 3, 5, and 7). Form W-3 should include Form 941 or Forms 943, 944, and Schedule H (Form 1040) adjustments only for the current year. If the Form 941, Form 943, or Form 944 adjustments include amounts for a prior year, do not report those prior year adjustments on the current year Forms W-2 and W-3.
  3. Social security and Medicare taxes (boxes 4 and 6). The amounts shown on the four quarterly Forms 941 (or annual Form 943, Form 944, and Schedule H (Form 1040)), including current year adjustments, should be approximately twice the amounts shown on Form W-3.

Amounts reported on Forms W-2 and W-3, and Forms 941, 943, 944, CT-1, and Schedule H (Form 1040) may not match for valid reasons. If they do not match, you should determine that the reasons are valid. Keep your reconciliation in case of inquiries from the IRS or the SSA.

## Form W-2 Reference Guide for Box 12 Codes (See the box 12 instructions.)

<b>A</b> Uncollected social security or RRTA tax on tips	<b>K</b> 20% excise tax on excess golden parachute payments	<b>V</b> Income from exercise of nonstatutory stock option(s)
<b>B</b> Uncollected Medicare tax on tips	<b>L</b> Substantiated employee business expense reimbursements	<b>W</b> Employer contributions (including employee contributions through a cafeteria plan) to an employee's health savings account (HSA)
<b>C</b> Taxable cost of group-term life insurance over \$50,000	<b>M</b> Uncollected social security or RRTA tax on taxable cost of group-term life insurance over \$50,000 (former employees only)	<b>Y</b> Deferrals under a section 409A nonqualified deferred compensation plan
<b>D</b> Elective deferrals to a section 401(k) cash or deferred arrangement plan (including a SIMPLE 401(k) arrangement)	<b>N</b> Uncollected Medicare tax on taxable cost of group-term life insurance over \$50,000 (former employees only)	<b>Z</b> Income under section 409A on a nonqualified deferred compensation plan
<b>E</b> Elective deferrals under a section 403(b) salary reduction agreement	<b>P</b> Excludable moving expense reimbursements paid directly to employee	<b>AA</b> Designated Roth contributions under a section 401(k) plan
<b>F</b> Elective deferrals under a section 408(k)(6) salary reduction SEP	<b>Q</b> Nontaxable combat pay	<b>BB</b> Designated Roth contributions under a section 403(b) plan
<b>G</b> Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan	<b>R</b> Employer contributions to an Archer MSA	<b>DD</b> Cost of employer-sponsored health coverage
<b>H</b> Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan	<b>S</b> Employee salary reduction contributions under a section 408(p) SIMPLE	<b>EE</b> Designated Roth contributions under a governmental section 457(b) plan
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