

Social Security and Medicare Tax on Unreported Tip Income

▶ See instructions on back.
▶ Attach to Form 1040.

Name of person who received tip income (as shown on Form 1040)	Social security number : :
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Name(s) of employer(s) to whom you were required to, but did not, report your tip income:

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1 Total cash and charge tips you received in 1991. See instructions	1			
2 Total cash and charge tips you reported to your employer in 1991	2			
3 Subtract line 2 from line 1. This amount is income you must include in the total on Form 1040, line 7	3			
4 Cash and charge tips you received but did not report to your employer because the total was less than \$20 in a calendar month. See instructions	4			
5 Subtract line 4 from line 3	5			
6 Maximum amount of wages (including tips) subject to social security tax	6	53,400	00	
7 Total social security wages and social security tips (shown on Form(s) W-2) or railroad retirement (tier 1) compensation	7			
8 Subtract line 7 from line 6. If line 7 is more than line 6, enter -0- here and on line 9 and go to line 11	8			
9 Unreported tips subject to social security tax. Compare the amounts on lines 5 and 8 above. Enter the smaller of the two amounts here and on line 1 of Schedule U below. (If you received tips as a Federal, state, or local government employee, see the instructions.)	9			
10 Multiply line 9 by .062	10			
11 Maximum amount of wages (including tips) subject to Medicare tax	11	125,000	00	
12 Total Medicare wages and tips (shown on Form(s) W-2) or railroad retirement (tier 1) compensation	12			
13 Subtract line 12 from line 11. If line 12 is more than line 11, enter -0- here and on line 14 and go to line 16	13			
14 Unreported tips subject to Medicare tax. Compare the amounts on lines 5 and 13 above. Enter the smaller of the two amounts here and on line 2 of Schedule U below	14			
15 Multiply line 14 by .0145	15			
16 Add lines 10 and 15. Enter the result here and on Form 1040, line 50 ▶	16			

For Paperwork Reduction Act Notice, see instructions on back. Form **4137** (1991)

Do Not Detach

**SCHEDULE U
(Form 1040)**

Department of the Treasury
Internal Revenue Service

U.S. Schedule of Unreported Tip Income

For crediting to your social security record

Important: The amounts reported below are for your social security record. This record is used in figuring any benefits, based on your earnings, payable to you and your dependents, or your survivors. Fill in each item accurately and completely.

Print or type name of person who received tip income (as shown on Form 1040)	Social security number : :
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Address (number and street, apt. no., or P.O. box if mail is not delivered to your home)	Occupation
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City, town or post office, state, and ZIP code

1 Unreported tips subject to social security tax. Enter the amount from line 9 (Form 4137) above . . . ▶	1			
2 Unreported tips subject to Medicare tax. Enter the amount from line 14 (Form 4137) above . . . ▶	2			

Please do not write in this space

DLN—

General Instructions

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

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	26 min.
Learning about the law or the form	5 min.
Preparing the form	25 min.
Copying, assembling, and sending the form to the IRS	17 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the IRS and the Office of Management and Budget at the addresses listed in the instructions for Form 1040.

A Change You Should Note.—For 1991, the maximum amount of earnings subject to Medicare tax is \$125,000. Because the maximum amount subject to social security tax for 1991 of \$53,400 is a different amount, each part of the tax is now figured separately on Form 4137.

Purpose of Form.—Form 4137 is used to figure the social security and Medicare tax owed on tips you did not report to your employer, including any allocated tips shown on your Form(s) W-2 that you must report as income. It is also used to figure the amount of social security and Medicare tip income to be credited to your social security record.

Who Must File.—You must file Form 4137 if you received cash and charge tips of \$20 or more in any month and you did not report all of those tips to your employer. You must also file Form 4137 if your Form(s) W-2 show allocated tips that you must report as income. Allocated tips should be shown in Box 7 of your W-2 form(s).

If you are married and filing a joint return and both you and your spouse had unreported tip income, each of you must complete a separate Form 4137.

Allocated Tips You Must Report as Income.—You must report as income on Form 1040, line 7, at least the amount of allocated tips shown on your Form(s) W-2 unless you can prove a lesser amount with adequate records. If you have records, you **must** report as income the amount of tips your records show you actually received, even if this amount is more or less than the allocated tips. Although allocated tips are shown on your Form W-2, they are not included in the wages, tips, and other compensation box (Box 10) on that form and no income tax, social security tax, or Medicare tax has been withheld from these tips.

For more information, get **Pub. 531**, Reporting Income From Tips.

Tips You Must Report to Your Employer.—You must give your employer a written statement of cash and charge tips if you received \$20 or more in tips during a month. If, in any month, you worked for two or more employers and received tips while working for each, the \$20 test applies separately to the tips you received for your work for each employer and not to the total you received. You must report these tips to your employers by the 10th day of the month following the month you received them.

Tips You Do Not Report on This Form.—Do not report on this form tips received for work covered by the Railroad Retirement Tax Act. Contact any Railroad Retirement Board office for information on how to get railroad retirement credit for tips not reported to railroad employers.

Payment of Tax.—Tips you reported to your employer are subject to social security and Medicare tax (or railroad retirement tax), and income tax withholding. Your employer collects these taxes from wages (excluding tips) or other funds of yours available to cover them. If your wages were not enough to cover these taxes, you may have given your employer the additional amounts needed. Your Form W-2 will include the tips you reported to your employer and the taxes withheld. If there was not enough money to cover the social security and Medicare tax (or railroad retirement tax), your Form W-2 will also show the tax due. For more information, see Pub. 531 and **Pub. 505**, Tax Withholding and Estimated Tax.

Penalty for Not Reporting Tips.—If you did not report the tips you were required to report to your employer, you may be charged a penalty equal to 50% of the social security and Medicare tax due on those tips. You can avoid this penalty if you can show reasonable cause for not reporting these tips to your employer. Therefore, you should attach a statement to your return explaining why you did not report them.

Specific Instructions

Line 1.—Include **ALL** tips received. This includes the following:

- Total cash and charge tips that you reported to your employer. Tips you reported, as required, by the 10th day of the month following the month you received them are considered income in the month you reported them. For example, tips you received in December 1990 that you reported to your employer between January 1, 1991, and January 10, 1991, are considered income in 1991 and should be included on your 1991 Form W-2 and reported on line 1 of Form 4137. However, tips you received in December 1991 that you reported to your employer between January 1, 1992, and January 10, 1992, are considered income in 1992. **Do not** include these tips on line 1.
- Tips you did not report to your employer on time or did not report at all. These tips are considered income to you in the month you actually received them. For example, tips you received in December 1991 that you reported to your employer after January 10, 1992, are considered income in 1991 because you did not report them to your employer on time.
- Tips you received that you were not required to report to your employer because they totaled less than \$20 during the month.
- Allocated tips that you must report as income.

Line 4.—Enter **only** the tips you were not required to report to your employer because the total received was **less than \$20** in a calendar month. These tips are not subject to social security and Medicare tax.

Line 9.—If line 5 includes any tips you received for work you did as a Federal, state, or local government employee and your pay was subject only to the 1.45% Medicare tax, subtract the amount of those tips from the line 5 amount only for the purpose of comparing line 5 with line 8. **Do not** reduce the actual entry on line 5. Enter “1.45% tips” and the amount you subtracted on the dotted line next to line 9.