

1994



Department of the Treasury
Internal Revenue Service

Instructions for Form W-2

Wage and Tax Statement

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

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 32 minutes. If you have comments concerning the accuracy of this time estimate or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Attention: Reports Clearance Officer, PC:FP, Washington, DC 20224; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0008), Washington, DC 20503. DO NOT send the tax form to either of these offices. Instead, see **Where To File** on this page.

Changes To Note

New Wage Base Increases.—The 1994 wage base for social security (old age, survivors, and disability insurance) is \$60,600. **There is no limit on the amount of Medicare wages and tips that are subject to Medicare tax in 1994.** For social security, the tax rate is 6.2% each for employers and employees. For Medicare, the rate is 1.45% each for employers and employees.

Single Filing Address.—Beginning with the 1994 tax forms, all Forms W-2 and W-3 will be processed at the Wilkes-Barre Data Operations Center. See **Where To File** for the address.

Reporting Moving Expense Reimbursements.

Reimbursements (including payments made directly to a third

party and services furnished in kind) for an employee's moving expenses incurred after 1993 are treated as excludable fringe benefits if (1) the expenses would have been deductible by the employee if the employee paid them and (2) the employee did not deduct the expenses in a prior year. These reimbursements should be made under rules similar to those of an accountable plan.

These reimbursements are excludable from wages and are not subject to withholding, social security, or Medicare taxes. Do not include excludable moving expense reimbursements in boxes 1, 3, or 5 of Form W-2. Instead, report them in box 13 using Code P.

Employer Provided Educational Assistance.—The exclusion of employer provided educational assistance has been extended retroactively for taxable years after June 30, 1992, through December 31, 1994.

Deceased Employee's Wages.—A section was added to explain the reporting for deceased employee's wages. See page 2 for details.

Bulletin Board Services.—Instructions for the bulletin board services are expanded to explain the types of information available. See **Bulletin Board Services** on page 3.

Information Reporting Call Site.—The IRS operates a centralized call site to answer questions about reporting on Forms W-2, W-3, 1099, and other information returns. If you have questions related to reporting on information returns, you may call (304) 263-8700 (not a toll-free number). If you have questions about magnetic media filing of Forms W-2, contact the Social Security Administration (SSA). See **Magnetic Media Reporting** on page 3.

General Instructions

Who Must File.—Form W-2 is filed by employers. If you have 250 or

more Forms W-2, see instructions for **Magnetic Media Reporting** on page 3. Detailed employment information is given in **Circular E**, Employer's Tax Guide; **Circular A**, Agricultural Employer's Tax Guide; and the instructions for **Form 942**, Employer's Quarterly Tax Return for Household Employees. Also, **Pub. 926**, Employment Taxes for Household Employees, and **Pub. 937**, Employment Taxes and Information Returns, provide additional information.

When To File.—File Copy A of Form W-2 with the entire first page of **Form W-3**, Transmittal of Wage and Tax Statements, by February 28, 1995.

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

Where To File.—File Copy A of Form W-2 with the entire first page of Form W-3 at the following address:

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

How To Get Forms and Publications.—You can get any of the forms and publications mentioned in these instructions by calling 1-800-TAX-FORM (1-800-829-3676).

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

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

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

Alien Residence Status Change.—If your employee has been given a new social security card following an adjustment to his or her alien residence status, which shows a different name or social security number, correct your records for 1994 and show the new information

on the 1994 Form W-2. If you filed Form W-2 for the same employee in prior years under the old name and social security number, file **Form W-2c**, Statement of Corrected Income and Tax Amounts, to correct the name and number. (See **Corrections** on page 2.) Use one Form W-2c to correct each prior year. Advise the employee to contact the local Social Security office no earlier than 6 months after the correction was made to ensure that his or her record has been updated.

Statements to Employees.—

Generally, furnish statements to employees by January 31, 1995. If employment ends before December 31, 1994, you may give copies any time after employment ends. If the employee asks for Form W-2, give him or her the completed copies within 30 days of the request or the final wage payment, whichever is later.

You may give statements to employees on government-printed official forms or on privately printed substitute forms. See **Substitute Forms** later.

Be sure that the statements you provide to employees are clear and legible.

Reporting 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. If you made the payment in the same year the employee died, you must withhold social security and Medicare taxes on the payment and report them on the employee's Form W-2 to ensure the deceased employee's survivors receive the benefit of proper social security and Medicare credits. On the 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 on **Form 1099-MISC**, Miscellaneous Income, as a payment to the estate or beneficiary. Use the name and TIN of the estate or beneficiary on Form 1099-MISC.

Example.—Before Employee A's death on June 15, 1994, 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 was paid to A's estate on July 20, 1994. 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 d, Employee A's social security number
Box e, Employee A's name
Box f, Employee A's address
Box 1, 10000.00 (does not include accrued wages and vacation pay)
Box 2, 1500.00
Box 3, 13000.00 (includes accrued wages and vacation pay)
Box 4, 806.00
Box 5, 13000.00
Box 6, 188.50
Box 15, Mark the "Deceased" box

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

Boxes for recipient's name, address, and TIN—The estate or beneficiary's name, address, and TIN.
Box 3, 3000.00

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.

Substitute Forms.—A revenue procedure that explains the format that must be used on all substitute paper forms is reprinted as **Pub. 1141**, General Rules and Specifications for Private Printing of Substitute Forms W-2 and W-3.

Earned Income Credit (EIC)

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

Credit (EIC). Get **Pub. 1325**, Employers—Required Notice To Certain Employees of a Possible Federal Tax Refund Due to the Earned Income Credit (EIC), for more information.

Form W-2 Distribution.—Send Copy A of Form W-2 with the entire first page of Form W-3 to the SSA. Send Copy 1 to your state, city, or local tax department. For more information concerning Copy 1, contact your state, city, or local tax department. Furnish Copies B, C, and 2 to your employee. Keep Copy D with Your Copy of Form W-3 for your records.

Undeliverable Forms W-2.—Keep for 4 years any employee copies of Forms W-2 that you tried to deliver but could not.

Reconciliation.—For information on reconciling and reducing discrepancies, see **Reconciling Forms W-2, W-3, and 941** in the 1994 Form W-3 instructions.

Corrections.—Use Form W-2c to correct errors on a previously filed Form W-2. File Form W-2c with the IRS to correct Form W-2P for 1990 and prior tax years. Use **Form W-3c**, Transmittal of Corrected Income and Tax Statements, to send with the Forms W-2c unless you are only correcting the employees' names, addresses, or SSN. Instructions are on the forms.

If a Form W-2 is corrected before Copy A is filed with the SSA, give the employee the corrected copies and write "Corrected" on them. Check the "Void" box on the original Copy A and send the new Copy A to the SSA. Do **NOT** write "Corrected" on the new Copy A.

If you are making an adjustment in 1994 to correct social security and Medicare taxes for a prior year, you must file **Form 941c**, Supporting Statement To Correct Information, with your Form 941 or 943 in the return period you find the error and issue the employee a Form W-2c for the prior year.

Multiple Forms.—If necessary, you can issue more than one Form W-2. For example, you may need to report more than three coded items in box 13 or you may want to report other compensation on a second form. If you issue a second Form W-2, complete boxes b, c, d, and e with the same information as on the first Form W-2. Show any additional items that were not included on the

first Form W-2 in the appropriate boxes.

Do **NOT** report the same Federal tax data to the SSA on more than one Copy A.

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

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

If you are filing Form W-2 using magnetic media, you will need **Form 6559**, Transmitter Report and Summary of Magnetic Media, and you may also need the continuation sheet (Form 6559-A).

You can get magnetic media reporting specifications by contacting any of the Social Security Magnetic Media Coordinators. Call 1-800-SSA-1213 for a phone number of the coordinator in your area, or you may write to the Social Security Administration, Attn: Resubmittal Group, 3-E-10 NB, Metro West, P.O. Box 2317, Baltimore, MD 21235.

A waiver can be requested on **Form 8508**, Request for Waiver From Filing Information Returns on Magnetic Media. This form must be submitted to the IRS 45 days before the due date of the return. Get Form 8508 for filing information.

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

Bulletin Board Services.—Using a personal computer and a modem, you can get information from either of two electronic Bulletin Board Systems (BBS)—the SSA-BBS or the IRP-BBS (IRS). You can access the SSA-BBS by dialing (410) 965-1133 or the IRP-BBS (IRS) by dialing (304) 263-2749.

Information available includes magnetic media filing information, some IRS and SSA forms and publications, correct social security number information, information on electronic filing, and general topics of interest about information reporting. You can also use the bulletin board systems to ask questions about magnetic media or electronic filing programs, and reporting on information returns.

Employee Business Expense Reimbursements.—

Reimbursements for employee business expenses should be reported as follows:

- Generally, payments made under an accountable plan are excluded from the employee's gross income and are not required to be reported on Form W-2. However, if you pay a per diem or mileage allowance, and the amount paid exceeds the amount treated as substantiated under IRS rules, you must report as wages on Form W-2 the amount in excess of the amount treated as substantiated. The excess amount is subject to income tax withholding, social security, Medicare, and Federal unemployment taxes. Report the amount treated as substantiated (i.e., the nontaxable portion) in box 13 using code “L.”

- Payments made under a nonaccountable plan are reportable as wages on Form W-2 and are subject to income tax withholding, social security, Medicare, and Federal unemployment 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 Regulations section 1.62-2, Rev. Proc. 91-67, 1991-2 C.B. 887, Rev. Proc. 93-21, 1993-13 I.R.B. 11, **Pub. 463**, Travel, Entertainment, and Gift Expenses, and **Pub. 1542**, Per Diem Rates.

Sick Pay.—If you had employees who received sick pay in 1994 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.

See **Pub. 952**, Sick Pay Reporting, for specific instructions on reporting sick pay.

Government Employers.—Federal, state, or local agencies have two options for reporting their employees' wages that are subject to only Medicare taxes for part of the year and full social security and Medicare taxes for part of the year. The first option is to file two Forms W-2. File one Form W-2 with wages subject only to Medicare tax. Be sure to check the Medicare

Government Employee box in item b of Form W-3. File the second Form W-2 for wages subject to both social security and Medicare taxes with the 941 box checked in item b of Form W-3.

The other option is to file a single Form W-2 with the Medicare only wages **and** the social security and Medicare wages combined. The Form W-3 should have the 941 box marked.

For tax years prior to 1991, separate Forms W-2 and W-3 must be filed for Medicare-only wages.

Railroad Employers.—Railroad employers must file Form W-2 to report their employees' wages and income tax withholding. If an employee is covered by social security and Medicare, the Form W-2 should reflect the social security and Medicare wages in addition to the amounts withheld for social security and Medicare taxes (if any). The Form W-3 used to transmit these Forms W-2 should have the 941 box marked in item b.

You may report the Tier 1 and Tier 2 taxes and compensation in box 14, Other, of Form W-2 for railroad employees covered under the Railroad Retirement Tax Act (RRTA). The Form W-3 used to transmit these Forms W-2 should have the CT-1 box checked in item b.

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

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

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

- \$30 for each information return if the correct information is filed more than 30 days after the due date but by August 1, with a maximum penalty of \$150,000 per year (\$50,000 for small businesses).

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

Exceptions to the Penalty.—In general, the penalty will not apply to

any failure that was due to reasonable cause.

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

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

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

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

Penalties for Failure to File on Magnetic Media.—A penalty may be imposed if you fail to file on magnetic media. See **Magnetic Media Reporting** on page 3.

How To Complete Form W-2

Form W-2 is a six-part form. Please ensure that the copies are legible.

Form W-2 is printed with two forms to an unperforated page. Send the whole Copy A page to the SSA even if one of the forms is blank or void. If you are sending 42 or more Forms W-2, please show subtotals on every 42nd form for the preceding 41 forms. See **Box 15, Subtotal**, instructions on page 7.

Since Copy A is imaged and character recognized by machines, please type the entries, if possible, using black ink. Please do not make any erasures, whiteouts, or strikeovers. Also, do not use script type. **Make all dollar entries without the dollar sign and comma but with the decimal point**

(0000.00). Show the cents portion of the money amounts.

If possible, please file Forms W-2 either alphabetically by employees' last names or numerically by employees' SSNs. This will help the SSA locate specific forms.

Specific Instructions

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

Void.—Mark this box when an error has been made. Amounts shown on void forms should NOT be included in your subtotal Form W-2.

Box b—Employer's identification number.—Show the number 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, 942, or 943). 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, not your SSN. You can get an EIN by filing **Form SS-4**, Application for Employer Identification Number.

Box c—Employer's name, address, and ZIP code.—This entry should be the same as shown on your Form 941, 942, or 943.

Box d—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. If the employee has applied for a card (or has been advised to apply) but the number is not received in time for filing, enter "Applied For" in box d. The employee should be told to show you the card when it is received. When you see the employee's card showing the SSN, correct your previous report by filing Form W-2c showing the employee's SSN.

Box e—Employee's name.—Enter the name as shown on the employee's social security card (first, middle initial, last). If the name has changed, have the employee get a corrected card from any SSA office. Use the name on the original card until you see the corrected one. Do not show titles or academic degrees at the end of the employee's name.

Box f—Employee's address and ZIP code.—This box is combined

with box e (Employee's name) on all copies except Copy A.

Box 1—Wages, tips, other compensation.—Show in box 1 (excluding elective deferrals, except section 501(c)(18) contributions), before any payroll deductions, the following items:

1. Total wages, prizes, and awards paid to employees during the year. For example, if the employee worked from December 24, 1993, through January 4, 1994, and the wages for that period were paid on January 7, 1994, include those wages on the 1994 Form W-2;

2. Total noncash payments (including certain fringe benefits). See **Fringe Benefits** in **Pub. 535**, Business Expenses, for information;

3. Total tips reported by employee to employer (not allocated tips);

4. Certain employee business expense reimbursements (see **Employee Business Expense Reimbursements** on page 3);

5. The cost of accident and health insurance premiums paid on behalf of 2% or more shareholder-employees by an S corporation. See Rev. Rul. 91-26, 1991-1 C.B. 184;

6. Taxable benefits made from a section 125 (cafeteria) plan (i.e., employee chooses cash); and

7. All other compensation, including certain scholarships and fellowship grants and taxable payments for moving expenses. Other compensation is amounts that you pay your employee from which Federal income tax is not withheld. You may show other compensation on a separate Form W-2. See **Multiple Forms** on page 2.

Note: *Payments to statutory employees that are subject to social security and Medicare taxes but not subject to Federal income tax withholding must be shown in box 1 as other compensation. (See Circular E for definition of a statutory employee.)*

Box 2—Federal income tax withheld.—Show the amount of Federal income tax withheld from the employee's wages for the year.

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. Generally, noncash payments are considered wages. Include employee business

expenses reported in box 1. Also, include elective deferrals to certain qualified cash or deferred compensation arrangements and to retirement arrangements described in box 13, codes D, E, F, and G, even though the contributions are not includible in box 1. Include elective and nonelective deferrals for purposes of section 457 plans. Include any employee social security, Medicare, and employee state unemployment compensation taxes you paid for your employee rather than deducting it from wages except for household or agricultural employees. (See Rev. Proc. 81-48, 1981-2 C.B. 623, for details.) Report in this box the amount of the cost of group-term life insurance coverage over \$50,000 that is taxable to former employees. Report the cost of accident and health insurance premiums paid on behalf of 2% or more shareholder-employees by an S corporation only if the exclusion under section 3121(a)(2)(B) is not satisfied. See Announcement 92-16, 1992-5 I.R.B. 53 for additional information. **The total of boxes 3 and 7 should not be more than \$60,600.00** (the maximum social security wage base for 1994).

In the case of certain members of the clergy and religious workers who are not subject to social security tax as employees, boxes 3 and 5 should be left blank. See **Pub. 517**, Social Security and Other Information for Members of the Clergy and Religious Workers.

Box 4—Employee social security tax withheld.—Show the total employee social security tax (not your share) withheld or paid by you for the employee. The amount shown should not exceed \$3,757.20. Include only taxes withheld for 1994 wages.

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 the employee reported even if you did not have enough employee funds to collect the Medicare tax for those tips. Report in this box the amount of the cost of group-term life insurance coverage over \$50,000.00 that is taxable to former employees. For reporting of accident and health insurance premiums paid

by S corporations for 2% or more shareholder-employees, see box 3 instructions.

If you are a Federal, state, or local agency with employees paying only the 1.45% Medicare tax, enter the Medicare wages in this box. See **Government Employers** on page 3.

The following is an example of how to report social security and Medicare wages in boxes 3 and 5. Assume you paid your employee \$140,000.00 in wages. The amount shown in box 3 (social security wages) should be 60600.00, but the amount shown in box 5 (Medicare wages and tips) should be 140000.00. There is no limit on the amount reported in box 5. If the amount of wages paid was \$60,600.00 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 or paid by you for your employee. Include only taxes withheld for 1994 wages. If you are a Federal, state, or local agency, with employees paying only the 1.45% Medicare tax, enter the Medicare tax in this box.

Box 7—Social security tips.—Show the amount the employee reported even if you did not have enough employee funds to collect the social security tax for the tips. The total of boxes 3 and 7 should not be more than \$60,600.00 (the maximum social security wage base for 1994). Report all tips in box 1 along with wages and other compensation.

Box 8—Allocated tips.—If you are a large food or beverage establishment, show the amount of tips allocated to the employee. (See the instructions for **Form 8027**, Employer's Annual Information Return of Tip Income and Allocated Tips.) **DO NOT** include this amount in boxes 1, 5, or 7.

Box 9—Advance EIC payment.—Show the total amount paid to the employee as advance earned income credit payments.

Box 10—Dependent care benefits.—Show the total amount of dependent care benefits under section 129 paid or incurred by you for your employee. Include the fair market value of employer-provided or employer-sponsored day care facilities and amounts paid or incurred in a section 125 plan. The total should include any amount in

excess of the \$5,000 exclusion. Include any amounts over \$5,000 in boxes 1, 3, and 5. For more information on the amount to report, see Notice 89-111, 1989-2 C.B. 449, Notice 90-66, 1990-2 C.B. 350, and Announcement 90-136, 1990-50 I.R.B. 19.

Box 11—Nonqualified plans.—Show the amount of distributions to an employee from a nonqualified plan or a section 457 plan. Also, enter the amount under a nonqualified plan or section 457 plan that became taxable during the year, based on the **later** of (1) when the services giving rise to the deferral are performed, or (2) when there is no substantial forfeiture risk of the rights to the deferred amount. This amount should be included in boxes 3 and 5 as social security wages and Medicare wages and tips.

The purpose of this box is for the SSA to determine if any portion of the amount reported in box 1 or boxes 3 and 5 for the tax year 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.

Unlike tax-qualified plans, nonqualified deferred compensation plans do not meet the qualification requirements for tax-favored status. Nonqualified 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 nonqualified plans. Any amount deferred under a nonqualified plan should be included as social security and 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.

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

Report distributions to beneficiaries of deceased employees

on **Form 1099-R**, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

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

Box 12—Benefits included in box 1.—Show the total value of the taxable fringe benefits included in box 1 as other compensation. Do not include amounts reported in boxes 10 and/or 13.

If you provided a vehicle and included 100% of its annual lease value in the employee's income, you must separately report this value to the employee so the employee can compute the value of any business use of the vehicle. You may use a separate statement, box 14, or multiple Forms W-2, if necessary, to report all box 12 entries. See **Multiple Forms** on page 2.

Box 13—Complete and code this box for all items described below that apply. Do not report in box 13 any items that are not listed as Codes A–P. Do not report in box 13 section 414(h)(2) contributions. Instead, use box 14 for these items or for information you wish to give your employee. For example, union dues, uniform payments, etc., should be reported in box 14.

Do **NOT** enter more than three codes in this box. If more than three items need to be reported in box 13, use a separate Form W-2 or a substitute Form W-2 to report the additional items. See **Multiple Forms** on page 2.

Use the codes shown with the dollar amount. The code should be entered using capital letters. Leave one space blank after the code and enter the dollar amount on the same line. Use decimal points but not dollar signs or commas. For example, you are reporting \$5,300.00 of contributions to a section 401(k) plan. The entry in box 13 would be: D 5300.00.

See the **Reference Guide for Box 13 Codes** on page 8. See the detailed instructions below for each code.

Code A. You did **not** collect employee social security tax on all the employee's tips. Show the amount of tax that you could not collect because the employee did not have enough funds from which to deduct it. Do not include this amount in box 4. Use **code A** for

uncollected social security tax on tips.

Code B. You did **not** collect employee Medicare tax on tips because the employee did not have enough funds from which to deduct it. Enter the uncollected Medicare tax on tips. Do not include this amount in box 6. Use **code B** for uncollected Medicare tax on tips.

Code C. You provided your employee (including former employees) more than \$50,000 of group-term life insurance. Show the cost of coverage over \$50,000. Also, include it in boxes 1, 3, and 5. Use **code C** for cost of group-term life insurance coverage over \$50,000.

Codes D–H. Elective deferrals were made to a section 401(k) cash or deferred arrangement, to a section 403(b) salary reduction agreement, to amounts deferred under a section 408(k)(6) salary reduction SEP, or to a section 501(c)(18)(D) tax-exempt organization plan. Elective and nonelective contributions were made to a section 457(b) deferred compensation plan for employees of state or local governments or tax-exempt organizations. Do not report section 457(f) amounts or amounts deferred under section 457(b) which are subject to a substantial risk of forfeiture.

The amount reported as an elective deferral is only the portion of the employee's salary (or other compensation) that he or she did not receive because of the deferral.

Nonelective contributions by an employer on behalf of the employee are not "elective deferrals." Nor are voluntary "aftertax contributions" (such as voluntary contributions to a pension plan that are deducted from an employee's pay after all other deductions). You may report these amounts in box 14, Other. Only elective deferrals should be reported in box 13 for all coded plans, except code G section 457(b) plans include both elective and nonelective deferrals.

The following example shows the amounts to report for a section 401(k) plan.

For calendar year 1994, Employee A electively deferred \$9,000 to a section 401(k) arrangement and made a voluntary aftertax contribution of \$600. In addition, the employer, on Employee A's behalf, made a qualified nonelective

contribution of \$1,000 to the plan and a nonelective profit-sharing employer contribution of \$2,000.

The total elective deferral of \$9,000 is reported in box 13 preceded with the code D (D 9000.00). Even though the 1993 limit for elective deferrals is \$8,994.00 (subject to change for 1994), the employer would report the total amount of 9000.00 as an elective deferral.

The \$600 voluntary aftertax contribution may be reported in box 14, Other. This reporting is optional. The \$1,000 nonelective contribution and the \$2,000 nonelective profit-sharing employer contribution are not reported on Form W-2.

Mark the "Deferred compensation" checkbox in box 15 and enter the total elective deferral (including any excess) in box 13. Do not report any excess in box 1. Use the following codes for elective deferrals made to the plans listed below. For section 457(b) plans, include elective and nonelective deferrals.

Code D—section 401(k)

Code E—section 403(b)

Code F—section 408(k)(6)

Code G—section 457(b)

Code H—section 501(c)(18)(D)

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

Code J. Show the amount of any sick pay **NOT** includible in income because the employee contributed to the sick pay plan. If you issue a separate Form W-2 for sick pay, use box 13 to code the Form W-2 as "Sick pay." Use **code J** for sick pay **NOT** includible as income.

Code K. You made excess "golden parachute" payments to certain key corporate employees. Report in box 13 the 20% excise tax on these payments. Use **code K** for the tax on excess golden parachute payments. If the excess payments are considered as wages, report the 20% excise tax as income tax withholding and include it in box 2.

Code L. You reimbursed your employee for employee business expenses using a per diem or mileage allowance, and the amount you reimbursed exceeds the amount treated as substantiated under IRS rules. (See **Employee Business Expense Reimbursements** on page

3.) Report the amount treated as substantiated, i.e., the nontaxable portion, in box 13 using **code L**. In box 1, include the portion of the reimbursement that is more than the amount treated as substantiated.

Do **NOT** include any per diem or mileage allowance reimbursements for employee business expenses in box 13 if the total reimbursement is less than or equal to the amount treated as substantiated.

Code M. If you provided your former employees (including retirees) more than \$50,000 of group-term life insurance coverage, enter the amount of uncollected social security tax on the coverage in box 13. Use **code M** for uncollected social security tax. Also see code C.

Code N. If you provided your former employees (including retirees) more than \$50,000 of group-term life insurance coverage, enter the amount of uncollected Medicare tax on the coverage in box 13. Use **code N** for uncollected Medicare tax. Also see code C.

Code P. If you made excludable moving expense reimbursements to an employee (including payments made directly to a third party and services furnished in kind) for moving expenses incurred after 1993, report the amount in box 13. See **Reporting Moving Expense Reimbursements** on page 1 for details. Use **Code P** for these excludable moving expense reimbursements.

Box 14—Other.—You may use this box for any other information you want to give your employee. Please label each item. Examples are union dues, health insurance premiums deducted, nontaxable income, voluntary aftertax contributions, or educational assistance payments.

Box 15—Mark the boxes that apply.

Statutory employee.—Mark this box for statutory employees whose earnings are subject to social security and Medicare taxes but **NOT** subject to Federal income tax withholding. (See Circular E for the definition of statutory employees.) Do not check this box for common law employees.

Deceased.—Mark this box if the employee is now deceased. See **Reporting Deceased Employee's Wages** on page 2.

Pension plan.—Mark this box if the employee was an active participant (for any part of the year) in any of the following:

1. a qualified 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 trust described in section 501(c)(18), or
6. a plan for Federal, state, or local government employees or by an agency or instrumentality thereof (other than a section 457 plan).

See **Pub. 1602**, General Rules for Individual Retirement Arrangements Under the Tax Reform Act of 1986, for information on who qualifies as an "active participant." **DO NOT** check this box for contributions made to a nonqualified pension plan or a section 457 plan.

You will also need to check the deferred compensation box. See *Deferred compensation* later.

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

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

942 employee.—For household employers only. Mark this box if you are a household employer filing a single Form W-2. See Form 942 instructions.

Subtotal.—Do not subtotal if you are submitting 41 or fewer Forms W-2. If you are submitting **42 or more Forms W-2**, please give subtotal figures for every 41 individual forms and the last group of forms. Mark the "Subtotal" box on the form that shows the subtotal dollar amounts for the preceding 41 forms and for the last group of

forms, even if fewer than 41 forms. (See the example.) Void statements are counted in order with correct statements, **but do not include the money amounts from the void statements in the subtotal amounts**. Subtotal statements should always be the last completed form on a page.

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

Do not enter any information in boxes d, e, or f of any Form W-2 that contains subtotals.

The subtotal amounts to be shown are boxes 1 through 11, and 13. Do not enter codes with subtotal amounts in boxes 11 and 13. However, in box 13, subtotal only codes D, E, F, G, and H as one amount. See box 13 instructions. Also, for box 11, show one subtotal amount; that is, do not separate distributions from nonqualified plans (uncoded) and distributions from section 457 plans.

Deferred compensation.—Mark this box if the employee has made an elective deferral to a section 401(k), 403(b), 408(k)(6), or 501(c)(18)(D) retirement plan. Mark this box if an elective or nonelective deferral was made to a section 457(b) plan. See also Codes D–H instructions under **Box 13**.

Boxes 16 through 21—State or local income tax information.—You may use these boxes to report state or local income tax information. You do not have to use them. But you may want to show the amounts on Copy A if you use copies of this form for your state or local tax returns or as recipients' statements. The I.D. numbers are assigned by the individual states. The state and local information boxes can be used to report wages and taxes on two states and two localities. Keep each state's and locality's information separated by the broken line. If you need to report information for more than two states or localities, file a second Form W-2. See **Multiple Forms** on page 2.

Reference Guide For Box 13 Codes

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|--|---|
| A — Uncollected social security tax on tips | H — Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan |
| B — Uncollected Medicare tax on tips | J — Nontaxable sick pay |
| C — Group-term life insurance over \$50,000 | K — 20% excise tax on excess golden parachute payments |
| D — Elective deferrals to a section 401(k) cash or deferred arrangement | L — Substantiated employee business expense (Federal rate) |
| E — Elective deferrals to a section 403(b) salary reduction agreement | M — Uncollected social security tax on group-term life insurance coverage |
| F — Elective deferrals to a section 408(k)(6) salary reduction SEP | N — Uncollected Medicare tax on group-term life insurance coverage |
| G — Elective and nonelective deferrals to a section 457(b) deferred compensation plan (state and local government and tax-exempt employers) | P — Excludable reimbursed moving expenses |

See box 13 instructions for information.

