



THE PAYROLL COMPANY

HCM | STAFFING | HR | 401k

UNDERSTANDING YOUR W-2 FORM

This is a guide to understanding your W-2 tax form. If you have any questions that are not addressed in this diagram and information, please contact us at 877-763-5111.

W-2 TAX FORM

A Employee's social security number						
B Employer identification number (EIN)	1 Wages, tips, other compensation		2 Federal income tax withheld			
C Employer's name, address, and ZIP code	3 Social security wages		4 Social security tax withheld			
	5 Medicare wages and tips		6 Medicare tax withheld			
	7 Social security tips		8 Allocated tips			
D Control number	9		10 Dependent care benefits			
E Employee's first name and initial	Last name	Suff.	11 Nonqualified plans	12 See instructions for box 12		
			13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
F Employee's address and Zip code			14 Other	12c		
				12d		
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement

Department of the Treasury – Internal Revenue Service

INCOME

- 1 WAGES, TIPS, OTHER COMPENSATION** - The earnings reflected in this box are calculated as follows:
 - Gross Wages** Includes all earnings plus Taxable Fringe Benefits and the income realized from the exercise of Stock Options.
 - LESS** *Deferred Compensation* Includes contributions to 401(k) plans, 403(b), SEP, SERP, etc.
 - LESS** *Cafeteria 125 Benefits* Includes deductions taken on a pre-tax basis for voluntary benefits, including Healthcare, Parking and Transit reimbursement, Dental, Vision, Medical Flexible Spending Account (FSA), Supplemental Short Term Disability, and Cancer insurance.
 - PLUS** *Group Term Life, Third Party Sick Pay (Taxable cost for coverage provided in excess of \$50,000), Other Compensation*
- 3 SOCIAL SECURITY WAGES** - The wage base for the social security portion of FICA changes annually. In other words, eligible earnings in excess of the annual wage base do not get taxed.
 - Gross Wages** Includes all earnings plus Taxable Fringe Benefits and the income realized from the exercise of Stock Options.
 - LESS** *Social Security Exempt Wages* Includes the income realized on the exercise of qualified (incentive) stock options.
 - LESS** *Cafeteria 125 Benefits* Includes deductions taken on a pre-tax basis for voluntary benefits, including Healthcare, Parking and Transit reimbursement, Dental, Vision, Medical Flexible Spending Account (FSA), Supplemental Short Term Disability, and Cancer insurance.
 - PLUS** *Group Term Life, Third Party Sick Pay (Taxable cost for coverage provided in excess of \$50,000), Other Compensation*

continued on next page

INCOME

5 MEDICARE WAGES AND TIPS - There is no wage base associated with the Medicare portion of FICA. Eligible wages are calculated as follows:

Gross Wages Includes all earnings plus Taxable Fringe Benefits and the income realized from the exercise of Stock Options.

LESS Medicare Tax Exempt Wages Includes the income realized on the exercise of qualified (incentive) stock options.

LESS Cafeteria 125 Benefits Includes deductions taken on a pre-tax basis for many voluntary benefits, including Healthcare, Parking and Transit reimbursement, Dental, Vision, Medical Flexible Spending Account (FSA), Supplemental Short Term Disability, and Cancer insurance.

PLUS Group Term Life, Third Party Sick Pay (Taxable cost for coverage provided in excess of \$50,000), Other Compensation

7 SOCIAL SECURITY TIPS - Total tips reported.

16 STATE WAGES, TIPS, ETC. - Earnings subject to state income tax withholding are calculated as follows:

Gross Wages Includes all earnings plus Taxable Fringe Benefits and the income realized from the exercise of Stock Options.

LESS Deferred Compensation Includes contributions to Supplemental Executive Retirement Plans (SERP).

LESS Cafeteria 125 Benefits Includes deductions taken on a pre-tax basis for voluntary benefits, including Healthcare, Dental, Vision, Medical Flexible Spending Account (FSA), Supplemental Short Term Disability, and Cancer insurance.

PLUS Other Compensation Any items not covered above.

18 LOCAL WAGES, TIPS, ETC. - Earnings subject to local tax withholding are calculated as follows:

Gross Wages Includes all earnings plus Taxable Fringe Benefits (such as Auto Allowance) and the income realized from the exercise of Stock Options.

LESS Deferred Compensation Includes contributions to Supplemental Executive Retirement Plans (SERP).

LESS Cafeteria 125 Benefits Includes deductions taken on a pre-tax basis for voluntary benefits, including Healthcare, Dental, Vision, Medical Flexible Spending Account (FSA), Supplemental Short Term Disability, and Cancer insurance.

PLUS Other Compensation Any items not covered above.

TAXES

2 FEDERAL INCOME TAX WITHHELD - The total federal income tax (FIT) withheld from your wages for the year.

4 SOCIAL SECURITY TAX WITHHELD - Withheld at a rate of 4.2% of Social Security Wages.

6 MEDICARE TAX WITHHELD - Withheld at a rate of 1.45% of Medicare wages and tips. Rate increases to 2.35% for all Medicare wages over \$200,000.

11 NON-QUALIFIED PLANS - Monies from *non-qualified deferred compensation plans* (rare). This is included in box 1.

14 OTHER - Employers may use this box to report information such as state disability insurance taxes withheld, union dues, nontaxable income, educational assistance payments, or a member of the clergy's parsonage allowance and utilities

17 STATE INCOME TAX - The total amount of State Withholding Tax (SIT).

19 LOCAL INCOME TAX - The amount in this box reflects the income tax withheld at the assigned rate for the school district, borough, or municipality designated by the employee.

PERSONAL INFO

A EMPLOYEE'S SOCIAL SECURITY NUMBER

Your social security number.

E EMPLOYEE'S NAME, ADDRESS, CITY, AND ZIP CODE

Your name and mailing address.

MISCELLANEOUS

8 ALLOCATED TIPS

Tips allocated by an employer to an employee.

9 BLANK

Nothing should be in this box. Ignore it.

10 DEPENDENT CARE BENEFITS

Dependent care benefits such as daycare paid or incurred by an employer for their employee.

12 SEE INSTRUCTIONS FOR BOX 12

Compensation with special tax qualifications such as adoption benefits, 401(k) contributions, etc.

IDENTIFICATION

D CONTROL NUMBER

Optional field to help employers identify/archive W-2 forms.

13 CHECKBOXES

Checkboxes to identify if you are a statutory employee (rare), contributed to a qualifying retirement plan such as a 401(k), or if the W2 form is being filled by a sick-pay payer who is not your employer (rare).

20 LOCALITY NAME

Tax locality name, if applicable.

EMPLOYER INFO

B EMPLOYER IDENTIFICATION NUMBER (EIN)

Employer's Tax ID number.

C EMPLOYER'S NAME AND BUSINESS ADDRESS

Employer's name and business address.

15 EMPLOYER'S STATE ID NUMBER

Employer's State ID number.



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