

**SOFTWARE SPECIFICATIONS AND EDITS
FOR ANNUAL WAGE REPORTING
Tax Year 2005**

**FOR PREPARING PAPER FORMS W-3
AND COPY A OF FORMS W-2
FOR THE SOCIAL SECURITY ADMINISTRATION**



**Social Security Administration
Office of Finance, Assessment and Management
Office of Financial Policy and Operations
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Introduction

Welcome to the Software Specifications and Edits for Annual Wage Reporting – Tax Year (TY) 2005 booklet. This booklet is intended for Employers, Human Resource/Payroll Departments and Software Developers who use and/or produce paper Form W-2, *Wage and Tax Statements* and W-3, *Transmittal of Wage and Tax Statements* reporting forms.

One of the best rewards employers can provide to their employees is the accurate reporting of their earnings to the Social Security Administration (SSA). SSA uses Forms W-2 Copy A and W-3 to determine eligibility to and amount of benefits employees and their families may receive. These may be benefits they are receiving now or will receive in the future. The initial step to offering our benefits is to determine past and present earnings.

We offer a number of benefits. These benefits are:

- Retirement Insurance – monthly benefits for retired workers as early as age 62.
- Disability Insurance – monthly benefits for people, including children, who have a qualifying disability.
- Family Insurance – monthly benefits for spouses and children of retired or disabled workers.
- Survivors Insurance – monthly benefits for widows/widowers and children of deceased workers.
- Medical Insurance – benefits to help pay for hospital bills and other types of medical services.

Our focus is to provide you with the information, tools, formats and other necessary components to correctly report employee wage/earning information on paper forms. Inserting the correct dollar amount in the correct box is just one of the steps toward providing quality information. Legibility, proper use of decimal points, periods, dollar signs, commas and proper sizing of boxed areas are all integral parts of providing readable, optically scannable and acceptable data. **Remember that your employees' benefits could depend on how you report their wage information.**

We have many resources available to meet your needs for successful completion of paper Forms W-2 and W-3 wage reports. Some are presented here, while other resources are just a telephone call or website away. Examples of Forms W-2 and W-3 and the reconciliation of the forms to the Internal Revenue Service (IRS) reports are given in later chapters along with a section showing common errors. Appendices indicating SSA offices, other related publications and websites are contained in the back of this booklet.

Chapter 1: General

When May I Use W-2/W-3 Paper Forms?

Paper Forms W-2 and W-3 may be filed with SSA in certain circumstances, as detailed in the chart below.

If	Then
You have less than 250 employees...	YES , paper Forms W-2 and W-3 may be used. <i>(Have you considered electronic filing?)</i>
You have 250 or more employees...	NO , you <i>must</i> file using electronic filing.
You have 250 or more employees and missed or forgot an employee's record on your electronic file...	YES , paper forms may be used for the employee files missed or forgotten, but the number of forms cannot exceed 249.

Paper vs. Electronic Filing Requirements

We offer many computerized methods to file Forms W-2 Copy A and W-3, such as:

- Filing electronically - either upload a wage report or use the Form **W-2 Online** option.
- Transmitting via Electronic Data Transfer (EDT) - Some State and Federal agencies have the option of transferring data over a dedicated line to electronically exchange pertinent program and benefit information.
- CAUTION:** TY 2005 is the last year we will accept diskette submissions. Please note for TY 2005 tape and cartridge submissions **are not** acceptable.

We encourage you to use the Internet to file your wage reports. Using this technology increases the accuracy rate, decreases the processing time and is convenient for most employers, certified public accountants and payroll service providers.

Please note that instructions for completing, filing and mailing paper Forms W-2 and W-3 are different from the instructions for completing, filing and sending electronic filings to SSA.

A Quick Glance at Electronic Filing Options

Almost every year we are able to offer new and improved ways for you to file your Forms W-2 and W-3 using an Internet method. A brief summary of our electronic filing options is below. If you have questions about any of these methods or desire more information, we provide Internet addresses, telephone listings and publications where you

can obtain additional information. You may call the Employer Service Liaison Officer (ESLO) who serves your region for additional assistance (see Appendix B).

We periodically schedule training seminars covering topics on electronic filing as well as other topics of interest. Your ESLO can give you more information on upcoming seminars or you can check our website at <http://www.socialsecurity.gov/employer/sem.htm> for a listing of seminars that may interest you.

Our Business Services Online (BSO) is a suite of Internet services for businesses that exchange information with SSA. For more information on BSO, visit our website at: <http://www.socialsecurity.gov/bsowelcome.htm>

Use BSO to:

- Submit an electronic file containing annual wage data;
- Create, print, save and submit Forms W-2 online;
- View status, notice and error information with your wage data submissions;
- Acknowledge a notice from SSA asking you to resubmit your wage data;
- Request a one-time 15 day extension requiring you to resubmit your Form W-2 data;
- Practice on our BSO tutorials which provide an overview on how to use the BSO products; and
- Submit up to five Forms W-2C online. This new feature is for users who wish to file online corrections to previously submitted Forms W-2.

Did you know that:

If you file Forms W-2 Copy A and W-3 with SSA *electronically*,

Then the due date for filing these forms with SSA is extended until March 31, 2006 (versus the paper filing due date of February 28, 2006).

Electronic Filing Methods

Please note the following:

- ❑ The last year you may file using diskettes is TY 2005.
- ❑ If you were a magnetic media filer (i.e., tapes, cartridges, diskettes), you must use electronic filing to send us your submission beginning with TY 2006.

Create Forms W-2 Online - This feature is geared to and already favored by many small business filers. You can create, print, view, save and submit up to 20 Forms W-2 online. You can also print out the forms for filing with your employees and State and local Governments. Using the Form **W-2 Online** software, you can store your unsubmitted Forms W-2 on your computer for up to 90 days. Certain restrictions do apply. We offer this method through our **BSO**.

Upload a Wage File - You can transmit an electronic file containing W-2 data to SSA over the Internet. We even offer AccuWage software that you can download from the Internet to your work station to verify that your file complies with the Magnetic Media Reporting and Electronic Filing (MMREF-1) W-2 format for the tax year. You may submit a test file to verify transmission capability. We offer this method through our **BSO**.

EDT - This option is used by many Federal and State agencies. The agencies can connect directly to SSA via a dedicated telecommunications line to transmit the filing information.

Information on Electronic Filing Methods - To obtain information on any of the above electronic filing methods, you may:

- ❑ Call 1-800-772-6270 or 1-800-772-1213 Monday through Friday, 7:00 a.m. to 7:00 p.m. Eastern. For TDD/TTY call 1-800-325-0778. If you are blind or print impaired, call our Braille Services at 410-965-6414 between 7:00 a.m. and 7:00 p.m. Monday through Friday.
- ❑ Access the Internet at <http://www.socialsecurity.gov/employer> and browse through the various sections offered in our Employer Reporting Instructions and Information website.
- ❑ For specific information go to <http://www.socialsecurity.gov/employer>, select Forms and Publications and click on the publication of interest to you such as:
 - BSO Handbook,
 - MMREF-1-TY05, or
 - Contact your ESLO as listed in Appendix B.



CAUTION: If you file paper forms, do not file the same information electronically, or vice versa. Duplication of information causes processing delays, inaccurate employees' SSA earnings records and benefits, tax audits and possible tax liabilities.

Highlights of Tax Year 2005 Changes



The following changes for TY 2005 impact your reporting of Forms W-2/W-3 annual wage information.

- ✓ **Social Security taxes will be withheld at the rate of 6.2 percent up to \$90,000 of employee wages.** Medicare taxes continue to be withheld at a rate of 1.45 percent on **all** wages. The change affects the specifications and edits for Form W-2, boxes 3, 5 and 7.
- ✓ **With your employee's consent, you may be able to furnish Form W-2 copies B, C and 2 electronically to your employees.** See IRS Publication 15-A for more information.
- ✓ **Advance Earned Income Credit (EIC)** - The maximum amount of the advance EIC increased to \$1,597. This change affects the specifications and edits for Form W-2 box 9.
- ✓ **Code Q – Nontaxable combat pay** - Military employers report any nontaxable combat pay of their employees in box 12 and designate it with a “Code Q.”
- ✓ **Code T – Adoption Expenses** - The exclusion amount for “Code T,” Adoption Expenses, has increased to \$10,630. The change affects standards, specifications and edits for Form W-2 boxes 12a-12d.
- ✓ **Code Y – Deferrals under a section 409A nonqualified deferred compensation plan** - Include current year deferrals and any earnings on the current year and prior year deferrals in box 12 and designate with a “Code Y.”
- ✓ **Code Z – Income under section 409A on a nonqualified deferred compensation plan.** Income included in box 1 under section 409A on a nonqualified deferred compensation plan is designated with a “Code Z” in box 12. This amount is also subject to additional taxes reported on the employee's Form 1040.
- ✓ **February 28, 2006 is the due date to SSA for paper Forms W-2 Copy A and W-3.** File Copy A of Forms W-2 with the entire first page of Form W-3 with SSA by February 28, 2006.

- ✓ **W-2C Online application has been added for users who wish to file online corrections to previously submitted Forms W-2.**
- ✓ **IRS Form 941, Employer's Quarterly Federal Tax Return, has been redesigned.** Use the new form for reporting of employment taxes for tax periods beginning after December 2004.
- ✓ **TY 2005 is the last year you may file using diskettes** and if you were a required magnetic media filer (i.e., tapes, cartridges, diskettes) you must use electronic filing to send us your submission beginning with TY 2006.

Where Can I Get W-2/W-3 Forms?

You must use standardized forms. You can get the official IRS paper Forms W-2 and W-3 from IRS, by visiting the IRS website at www.irs.gov or by calling 1-800-829-3676 (1-800-TAX-FORM). If calling, please allow at least 10 days for delivery. Local IRS offices stock these forms. The IRS also has current forms, instructions and publications available on a CD-ROM that you may purchase. You may purchase the CD-ROM by calling 1-877-233-6767 (1-877-CDFORMS) or ordering the CD-ROM online at the www.irs.gov website.

Check to make sure that the Forms W-2 and W-3 are for the same tax year and the tax year for which you are filing your employee information.



Please note that because we process the paper forms by optical scanners, you cannot file Forms W-2 and W-3 with SSA that you print from the IRS Website. We allow substitute forms which are forms printed by parties other than the IRS. The substitute forms ***must*** meet the standards described in IRS Publication 1141, General Rules and Specifications for Substitute Forms W-2 and W-3.

We accept laser printed forms as well as the standard red drop-out ink accepted in prior years. Laser printed forms require initial approval. To receive approval, you may first contact us via e-mail at laser.forms@ssa.gov to obtain a template and further instructions.

Or, you may send your initial sample laser-printed substitute forms to:

Social Security Administration
Wilkes-Barre Data Operations Center
ATTN: Laser Forms Approval, Room 359
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

Red-ink substitute forms, that conform to the specifications in IRS Publication 1141, may be privately printed without prior approval from IRS or SSA.

Go to our website: <http://www.socialsecurity.gov/employer/vendor.htm> for information on vendor provided products and/or services that may aid you in your annual wage filing of Forms W-2 and W-3.

Substitute forms for territories, W-2AS (American Samoa); W-2GU (Guam); W-2CM (Commonwealth of the Northern Mariana Islands); and W-2VI (Virgin Islands) also are to conform to the specifications as outlined in IRS Publication 1141.

If you use a software package to prepare your Forms W-2 and W-3, make sure it is compliant with IRS Publication 1141. If you are a software vendor desiring to have your forms approved, follow the instructions in IRS Publication 1141.

What Time Period is Covered on the Form W-2 Copy A?

The earnings information reported on Form W-2 Copy A must be for a calendar year basis which covers the period of January 1 through December 31. Please make sure the W-2 forms you are using are for the year of earnings data you are reporting.

How Many Parts Are There of the Forms W-2 and W-3?

The official IRS Form W-2 contains six (6) parts as described below:

- Copy A – For SSA;
- Copy 1 – State, City or Local Tax Department;
- Copy B – To Be Filed With Employee’s Federal Tax Return;
- Copy C – For Employee’s Records;
- Copy 2 – To Be Filed With Employee’s State, City or Local Income Tax Return; and
- Copy D – For Employer.

The official IRS Form W-3 is a one-part form that requires a signature from an authorized signer. A Form W-3 must accompany all the Forms W-2 Copy A that is being sent to SSA. Remember to make a photocopy of Form W-3 to retain for your records.

The employer is responsible for:

- Filing the Forms W-2 (Copy A) and Form W-3 with SSA;

- Distributing copies to employees (Copy B, Copy C and Copy 2 of Form W-2);
- Filing with the appropriate State, city and local taxing authorities (Copy 1 of Form W-2). Contact your State or locality for specific reporting information; and
- Retaining a copy for your records (Copy D of Form W-2).

When Are Forms W-2 Copy A and the W-3 Transmittal Due to SSA?

For TY 2005, file paper Forms W-2 Copy A and the W-3 with SSA by **February 28, 2006**.

How Should I Prepare the Forms for Submission to SSA?

Please note the following directions when preparing and assembling your paper Forms W-2 Copy A and W-3 for mailing to SSA.

Grouping of Forms

Generally, Forms W-2 Copy A are grouped by type of W-2 form and by kind of payer. A separate Form W-3 should accompany each grouping of Forms W-2 Copy A. Most companies only issue one type of Form W-2 and have only one kind of payer. See Chapter 2: Special Considerations under “Kind of Payer” for more information.

Preparation

You may choose one of the two allowable methods to properly organize and prepare your Forms W-2 Copy A. Your Forms W-2 Copy A may be prepared either:

- Alphabetically by your employees’ last names;
- OR**
- Numerically in order by your employees’ Social Security numbers (SSN).

Assembling

- Do **NOT** separate the W-2 Copy A forms. The entire sheet should remain intact. Submit the entire W-3 transmittal form, as well.
- Do **NOT** send cash, checks or money orders.

- Do **NOT staple** any of the forms (W-2s or W-3) together.
- Do **NOT tape** any of the forms (W-2s or W-3) together.
- Do **NOT bend** or **fold** the forms (W-2s or W-3). Send in a flat mailing envelope.

These forms are read by optical scanners. Staple holes, folds, tape and/or tears cause the optical scanners to jam.

Where Should I Send the Paper Forms?

Mail ONLY paper W-2 Copy A and W-3 Transmittal forms to the addresses listed below.

Regular Mail

Service*

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

7997

Certified Mail

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0002

Other IRS-Approved Private Delivery

Social Security
Data Operations Center
Attn: W-2 Process
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-

*See IRS Publication 15 (Circular E) for listing of approved Private Delivery Service carriers.

*Please note: Do **not** use this address to mail diskettes. Also, do **not** send paper correction Forms W-2c and W-3c to the addresses listed above.*

Who Should Sign Form W-3?

Employers typically sign the Form W-3. Other senders such as a service bureau, paying agent or disbursing agency may sign Form W-3 on your behalf, if the sender:

- Is authorized orally, in writing or implied by an agency agreement that is valid under State law

AND

- Writes "For (name of payer)" next to the signature.

Please note: Even if an authorized person signs the Form W-3, the responsibility for accurate and timely filing still rests with the employer.

Can I Get More Time to File?

Need extra time to file Forms W-2 Copy A with SSA? Fill out [IRS Form 8809 - Application for Extension of Time to File Information Returns](#). By sending Form 8809 to IRS, you will receive one automatic 30-day extension of time to file your Forms W-2 Copy A with SSA. No signature or explanation is required for

the first extension request. The automatic extension is 30 days from the original due date of Forms W-2 Copy A.

Requests for an additional extension of time are **not** automatically granted. Before the first extension expires, you may request one additional extension of not more than 30 days by submitting a second Form 8809. This second extension requires IRS written approval.

You can get IRS forms by visiting their website at www.irs.gov or calling 1-800-829-3676 (1-800-TAX-FORM). If requesting delivery of forms through the mail, please allow at least 10 days for delivery.

IRS Form 8809 **must** be:

- Filed on or before the due date of the Form W-2 Copy A. If this request is filed after the due date of the Form W-2 Copy A, an extension cannot be granted.
- Sent to the IRS address indicated on the form.
- Completed in the format as specified by IRS as there are specific rules on paper vs. electronic filing of the extension form.

CAUTION: IRS Form 8809 extension for Forms W-2 is **ONLY** for the Form W-2 Copy A (the copy sent to SSA). The filing extension does **NOT** apply to W-2s due to your employees or the W-2s you are required to file with your State or local jurisdictions. Please contact IRS for more information on late filings to employees and contact your applicable State and local authorities for an extension to file their copy of the Form W-2.

How Can I Correct a Form W-2 or W-3 Reporting Error?

This section provides information on using *paper* Forms W-2c and W-3c. It highlights some of the situations you may encounter if you have to correct W-2 forms and the W-3 transmittal. These illustrations are not meant to be comprehensive. You will find more information from both SSA and IRS by:

- Requesting SSA Publication No.31-031, ***Software Specifications and Edits for Correcting Annual Wage Reports*** by visiting our website at <http://www.socialsecurity.gov/employer> or calling 1-800-772-6270 or using Appendix B to contact your ESLO. This publication has been revised with new regulations and information.
- Requesting IRS ***Instructions for Forms W-2c and W-3c*** and the official Forms ***W-2c and W-3c*** by visiting www.irs.gov or calling 1-800-829-3676 (1-800-TAX-FORM).

Note: For W-2c and W-3c Electronic Filing information and instructions, you may use the SSA Publication MMREF-2.

How Can I Correct the Employee's Copy of the Form W-2

Correcting wage data involves understanding the type of error that occurred, the timing of the mistake and using the right forms. If you report an incorrect *amount* to SSA and the employee, then you must make the correction by filing Forms W-2c and W-3c. However, if you correct the data before you send us the paper forms or if the only incorrect data is an incorrect employee address, then Forms W-2c and W-3c are not required.

Voids

If you find an error after the Form W-2 is issued to the employee but *before the Form W-2 Copy A is sent to SSA*, check the “Void” box on the top of the original Form W-2 Copy A. Complete a new Form W-2, mark “Corrected” on copies B, C and 2 and send them to the employee.

Send us the new Form W-2 Copy A along with all the other Form W-2 Copy A sheets (including any other W-2s Copy A marked “void”).



CAUTION: Do **NOT** include *Void Forms* W-2 in the total count in box c of the W-3 transmittal.

Incorrect Employee Address on W-2 Form

If all other information on the W-2 Copy A is correct *except* the employee’s address, a W-2c should **NOT** be filed with SSA, but you **must** correct the employee’s copy of the Form W-2 by doing one of the following:

- Mail or otherwise deliver to the employee, the Form W-2 containing the incorrect address in an envelope labeled with the correct address.

OR

- Issue a new Form W-2 to the employee with the new address and all other information fully completed on the W-2. The employee’s copies (B, C and 2) **must** be marked “REISSUED STATEMENT.”



CAUTION: Do **NOT** send the Form W-2 Copy A with the new address to SSA.

OR

- Issue a Form W-2c to the employee showing the correct address in box “f.”



CAUTION: Do **NOT** send the Form W-2c for the employee address correction to SSA.

Incorrect Employee Name and/or SSN

If the original Form W-2 Copy A has already been filed with SSA, then a Form W-2c **must** be completed and sent to SSA. Fill in only the alpha boxes “a” through “i” where appropriate on the Form W-2c. The numeric boxes, 1-20, are left blank.

You may furnish Form W-2c copies B, C and 2 to the employee but you must advise your employee to correct the SSN and/or name on his or her copy of the originally issued W-2 form.

File a Form W-3c whenever you file a Form W-2c, even if you are only filing Form W-2c to correct an employee’s name and/or SSN.

Incorrect Amounts

A Form W-2c must be completed if amounts are incorrect on the original Form W-2 Copy A filed with SSA. For boxes 1-20:

- If the *Previously reported* and *Corrected information* amounts are not being changed for a particular box, leave the boxes blank. Do not make an entry in these boxes on Form W-2c Copy A unless there is a change.
- If any item shows a dollar change and one of the amounts is zero, enter “0.00.” **Do not** leave the box blank.
- Enter under *Previously reported*, the amount reported on the original Form W-2 Copy A or on a prior Form W-2c.
- Enter under *Correct information*, the correct amount.
- Special rules may apply for boxes 3, 5 and 7 if you are a State, local or Federal employee. Please see **Software Specifications and Edits for Correcting Annual Wage Reports** for more information.
- Boxes 15-20** - If you are only correcting information/amounts in boxes 15-20, please **do not** send the Form W-2c Copy A to SSA. Please check on the proper method to file correcting data with your State and local tax reporting authorities.
- File a Form W-3c whenever you are required to file a Form W-2c Copy A with SSA, even if you are only filing Form W-2c to correct an employee’s name and/or SSN.

My Employee Lost the Copies of the W-2 Issued to Him/Her, What do I do?

You may furnish your employee with a new copy of his/her Form W-2. Write “REISSUED STATEMENT” on the new copies furnished to your employee. Do not send Copy A of the reissued Form W-2 to SSA.

The Only Error I Have is on the Original Form W-3 Sent to SSA

Situations do arise where you only need to file a Form W-3c without any accompanying Forms W-2c Copy A.

If the only error you need to correct is an error made on the original Form W-3,

Then you only need to file a Form W-3c with SSA if the changes pertain to boxes 1-14. If your correction applies to State and local information in boxes 16-19, please check with the appropriate State/local tax authorities for their requirements.

Where Do I Send the Forms W-2c and W-3c?

Mail paper Forms W-2c and W-3c to the following address.



Note that paper Forms W-2c and W-3c are sent to different locations than the original W-2s and W-3.

Regular or Certified Mail

Social Security Administration
Data Operations Center
P.O. Box 3333
Wilkes-Barre, PA 18767-3333

**Other IRS-Approved Private
Delivery Service**

Social Security Administration
Data Operations Center
Attn: W-2c Process
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

Electronic Reporting Requirements for Form W-2c

If during a calendar year you are required to file 250 or more Forms W-2c, you **must** now file these corrections using diskette(s) or electronic reporting methods unless IRS granted you a waiver. This only applies if the corrections on Forms W-2c are for the immediate prior tax year. Forms W-2c for years before 2004, are not counted for purposes of the new threshold.

The IRS may grant you a waiver from this requirement. See Form 8508, *Request for Waiver From Filing Information Returns Magnetically*, for filing information. Submit Form 8508 at least 45 days before you file Forms W-2c.

Please note: TY 2005 is the last year you may file wage reports with SSA using diskettes.

W-2C Online

The W-2C Online application is for users who wish to file online corrections to previously submitted TY 2005 and TY 2004 Forms W-2. This feature will use some of the same functionality currently used in W-2 Online and allows up to five Forms W-2c in each report. For more information about W-2C Online, please visit our website www.socialsecurity.gov/employer/bsohbnew.htm.

Use the Correct Forms W-2c and W-3c

Both Forms W-2c and W-3c were revised as of December 2002 and are scheduled to be revised again in August 2005. Please make sure you have the most current form(s) as these forms are not typically revised yearly. You may not use any pre-December 2002 versions.

Balancing and Reconciling of Annual Wage Reports

SSA uses wage information to determine entitlement for and the amount of benefits employees and their families may receive. We want your employees to receive the correct amount of benefits based on their wages, so we need you to accurately report your payroll information.

The totals of your original Forms W-2 and any corrections from Forms W-2c should agree to the grand total of your transmittal Form W-3 and any correcting transmittal Forms W-3c filed. The checking and balancing of wage information does **NOT** end there. IRS, in cooperation and conjunction with SSA, reviews the yearly totals reported on the quarterly 941- **Employer's Quarterly Federal Tax Return**; or Form 943 - **Employer's Annual Federal Tax Return for Agricultural Employees**; or Form CT-1 - **Employer's Annual Railroad Retirement Tax Return**; or Schedule H (Form 1040) - **Household Employment Taxes**; and any correcting Forms 941c filed. If any differences are noted between the reports and their totals, either SSA or IRS will contact you.

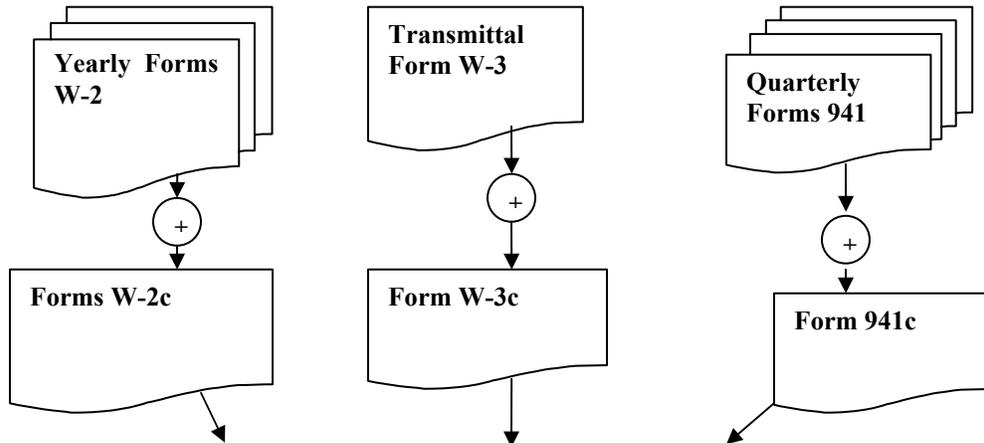
Before submitting reports or after making changes and corrections, remember to follow through to make sure totals on wage reports balance and agree with each other.

Situations may arise where valid differences among the forms could occur. Document the differences and their reasons. Keep copies of your reconciliation in case of inquiries either by IRS or SSA.

Please remember:

- ❑ Reconcile the totals of Forms W-2 and W-2c to the cumulative total of the W-3 and W-3c forms for the applicable tax year.
- ❑ Reconcile the totals from applicable IRS Forms 941, 943, CT-1 (box 2 only), Schedule H (Form 1040) and 941c to the grand totals from above for the same tax year. Caution: Form 941c is not filed on its own. It is filed and attached with a current Form 941. When reconciling, make sure you are agreeing totals for the correct tax year.
- ❑ Forms 941, 943, Schedule H (Form 1040) and 941c report both the employee and employer's Social Security and Medicare taxes withheld which is double or twice the amount reported on Forms W-2 and W-3. Forms W-2 and W-3 show just the employees' Social Security taxes withheld. Please remember to take that into consideration when reconciling the totals.

Balancing of Reports:



Total Wages & Taxes

All reports must agree to the same summarized totals for annual wages and taxes. Specifically, the following totals should reconcile amongst the three reports (W-2s (W-2c); W-3s (W-3cs); and 941 (941c)) totals of:

- Social Security wages (W-2 and W-2c box 3; W-3 and W-3c box 3; 941 line 5a column 1; 941c Part III);
- Social Security tax withheld - (W-2 and W-2c box 4; W-3 and W-3c box 4; 941 lines 5a and 5b column 2; 941c Part III);
- Social Security tips - (W-2 and W-2c box 7; W-3 and W-3c box 7; 941 line 5b column 1; 941c Part III);
- Medicare wages and tips - (W-2 and W-2c box 5; W-3 and W-3c box 5; 941 line 5c column 1; 941c Part IV);
- Medicare tax withheld - (W-2 and W-2c box 6; W-3 and W-3c box 6; 941 line 5c column 2; 941c Part IV);
- Federal income tax withheld - (W-2 and W-2c box 2; W-3 and W-3c box 2; 941 line 3; 941c Part II); and
- Advance EIC payments - (W-2 and W-2c box 9; W-3 and W-3c box 9; 941 line 9.)
- Filers of Form(s) 943 (Agricultural), CT-1 (Railroad), or 1040 Schedule H (Household) have similar reporting and balancing processes where annual wage reports must be reconciled and legitimate differences, if any, properly documented.
- If valid differences occur, document the reasons and retain copies of the reconciliation in case of inquiries by IRS or SSA.
- Contact your State and locality for their applicable reconciliation process.

Penalties

The law requires IRS to consider imposing penalties on nonconforming Forms W-2 based on a multi-tier system. The IRS 2005 instructions for Forms W-2 and W-3 provide a complete description of the penalty provisions. The penalty amounts are based on when correct information is filed. SSA advises IRS of the dates of receipt of all late-filed reports and IRS determines if penalties are applicable.

Reasons for penalties include but are not limited to:

- Failure to file machine-readable paper forms.
- Failure to file timely.
- Failure to include all information required.
- Failure to file correct information.
- Failure to file electronically or on diskette when required.
- Failure to file correction data.



Please note: An employer is not relieved of the responsibility to ensure Forms W-2 are filed timely and correctly with SSA and employees just because a reporting agent or third-party payroll service provider is used.

Record Retention

We may contact you with questions regarding the W-2 and W-3 information you filed. You must maintain your Forms W-2 and W-3 for at least 4 years.

- Employer copies of W-2 →
- Employer copies of W-3 →
- *Undeliverable original W-2s →
- Employer copies of W-2c & W-3c →

**Must be kept for at least
4 years.**

** Undeliverable employee original W-2s that were returned by the postal service should be maintained and kept by the employer and should **NOT** be sent to SSA.*

How Can I Verify Employee Names and/or Social Security Numbers?

Employers can verify that the names and SSNs of their employees match to the name and SSN on file at SSA. This *free service* is offered year round and is called Employee Verification Services (EVS). Using EVS allows you, the employer or third-party submitter, to make sure names and SSNs match prior to filing the Forms W-2 Copy A and W-3. Checking the names and SSNs up front helps you to reduce the number of errors and corrections you may have to make later. This service also aids in making sure the correct information is posted to the correct employees' Social Security records.

The table below briefly summarizes the verification methods available. For additional information, call the Employer Reporting Branch at 1-800-772-6270, visit the SSA Website at <http://www.socialsecurity.gov/employer> for a copy of the SSA Publication No. 20-004, EVS, *Employer and Third-Party Submitter Instructions* or call your ESLO as listed in Appendix B.

Employee Verification Services

If you want to verify	Then
For a small group of employees/SSNs (1 to 5 names)	Verification will be given over the telephone. Call the Employer Reporting Branch at 1-800-772-6270.
For a large group of employees/SSNs (up to 50 names)	Submit your paper lists to your local SSA office. Some offices can accept fax listings. To find an office near you, visit SSA's website at http://www.socialsecurity.gov/employer or see Appendix B.
For a larger group of employees/SSNs (greater than 50 names)	<p>A simple registration process is required.</p> <ol style="list-style-type: none"> 1. Complete a registration form and privacy act statement and mail or fax the forms to SSA. 2. We will issue a requester identification code and you will be ready to submit your data file or paper listing. 3. Each submittal by paper should not contain more than 300 names and SSNs for verification at a time. Diskette and/or magnetic tape submissions should not contain more than 250,000 names at a time. <p>Publication No. 20-004, <i>EVS, Employer and Third-Party Submitter Instructions</i>, provides the forms and the additional information you will need to use this process.</p>

As noted in Publication No. 20-004: Any information the employer receives from SSA's records is governed by the Federal Privacy Act, 5 USC 552a(1). Under the Act, anyone who obtains this information under false pretenses or uses it for purposes other than that for which it was requested, may be punished by a fine or imprisonment or both.

How May I Obtain Additional Copies of This Publication?

You may obtain additional copies of this SSA publication by:

- Using the Internet to read and print this publication directly from the employer website :<http://www.socialsecurity.gov/employer/pub.htm>.

- Contacting your local ESLO (Appendix B).

Who Should I Contact if I Have a Question?

Operational or technical questions should be directed to your respective ESLO listed in Appendix B.

Tax questions or questions on tax law and regulations may be addressed to the IRS Information Reporting Customer Service Site at telephone number 866-455-7438.

Employers with questions concerning SSA and IRS reconciliation of W-2 data, Medicare reporting error notices and/or questions concerning diskette and electronic filing may contact SSA at 1-800-772-6270 on Monday through Friday from 7 a.m. to 7 p.m. (Eastern).

Comments

Comments or suggestions regarding this document should be forwarded to the:

Social Security Administration
Office of Financial Policy and Operations
ATTN: AWR Software Standards
P.O. Box 17195
Baltimore, MD 21297-1195

Chapter 2: Special Considerations

Terminating a Business

If your company is going out of business or terminating operations, special rules apply for completing the paper Forms W-2 and W-3. The **due date** for the Forms W-2 Copy A and W-3 to SSA for companies terminating are different than the dates for a business continuing operations as a successor employer. Contact your ESLO (see Appendix B) for an explanation.

Forms W-2 Copy A and W-3 to SSA	Are due the last day of the month that follows your <u>final</u> Form 941 return due date to IRS (i.e., 2 months after the close of a quarter).
Forms W-2 to employees	Issue to employees by the due date of the <u>final</u> Form 941.

Kind of Payer

Most companies only have one “kind of payer.” If you have more than one kind of payer, you **must** group the W-2s Copy A by each kind of payer and send with a separate Form W-3 to SSA. See third-party sick pay below for the exception to that rule.

The W-3 transmittal box b is where the *kind of payer* is found.

If you	Then your “kind of payer” is:
File Form 941 - Employer’s Quarterly Federal Tax Return...	941
Are a U.S. State or local agency filing forms for employees subject only to the 1.45 percent Medicare tax (MQGE)...	Medicare govt. emp.
Are a military employer sending Forms W-2 for members of the uniformed services...	Military
File Form 943 - Employer’s Annual Tax Return for Agricultural employees and are sending Forms W-2 for Agricultural employees...	943
Are a railroad employer - employees are covered under Railroad Retirement Tax Act (RRTA)...	CT-1
Have household employees and did not include their taxes on Form 941 or Form 943...	Hshld. emp.
Are a third-party sick pay payer (or are reporting sick pay payments made by a third-party) filing Forms W-2 copy A with box 13 “Third-party sick pay” marked on the W-2...	Third-party sick pay This is the only “kind of payer” where you can have two boxes marked – i.e., 941 and Third-party sick pay - on the same W-3.



Note: You may only check one “kind of payer” box on the W-3 transmittal

(except for third-party sick pay). You must group your W-2s Copy A by kind of payer. A separate W-3 is required for each group of W-2s Copy A.

Government Employers

Some Federal, State and local government agencies have situations where, within the same year, the employee wages are subject only to Medicare tax **AND** the employee wages are subject to both Social Security and Medicare taxes.

Two methods are available for reporting this information on the W-2 Copy A.

Option 1 *Combined reporting method* - File a single W-2 that reports the Medicare only wages and the Social Security and Medicare wages combined. The Form W-3 box b has the “941” kind of payer checked.

OR

Option 2 *Split reporting method* - File two separate W-2s and two W-3s. One W-3 and W-2 would indicate the Medicare only wages for the employee. The Form W-3 box b should have “Medicare govt. emp.” kind of payer checked.

AND

The second W-3 and W-2 would be for the same employee but would report the wages where both Social Security and Medicare was withheld. The Form W-3 box b should have “941” kind of payer checked.

Please Note - SSA prefers Option 1. It condenses the paperwork requirements and decreases the chances of reporting errors.

Agent Reporting

Some employers have an IRS-approved agent file payroll reports (W-2/W-3) with SSA and Forms 941 with IRS on their company's behalf. An employer that wants to use an agent prepares IRS Form 2678, Employer Appointment of Agent, and submits the form to the agent. The agent must submit the Form(s) 2678 to IRS along with a letter requesting agency status. To be recognized as an agent, you must have written approval from IRS.

Approved agents may file payroll and tax liability reports on behalf of one or more companies. Generally, an agent that has an approved Form 2678 must enter his or her name as the employer in box c of Form W-2 and each Form W-2 should reflect the EIN of the agent in box b. In addition, the employer's EIN must be shown in box h of Form W-3.

If you are an agent, special reporting situations can occur when completing the Forms W-2 Copy A and the W-3 transmittal to SSA.

If you, the agent, file Forms W-2 on behalf of other employers in an agent capacity, please remember:

On Form	Use	You are to
941	Your EIN and your name and address on the form.	Report <u>all</u> wage, tax and other information requested on the Form 941 on a consolidated basis for: <ol style="list-style-type: none"> 1. Your employees, AND 2. The employees of the employers you represent as an agent.
W-2	Your: <ol style="list-style-type: none"> 1. EIN in box b of the W-2 AND 2. Name and address in box c of the W-2. *see W-2 exception	File <u>one</u> consolidated W-2 for each employee. Even if an employee works for you and for one or more of the employers you represent as an agent, only one consolidated W-2 is filed for that employee. *see W-2 exception BUT , if the consolidated Social Security wages of that employee exceed the Social Security wage limit for that tax year, then more than one W-2 must be filed for that employee. See the next page for more details. *see W-2 exception

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Form	If	Then
<p>W-2 Exception</p>	<p>If you, the agent, have an employee that works for more than one of the employers you represent including yourself, special reporting issues may occur.</p> <p style="text-align: center;">AND</p> <p>If that employee's consolidated Social Security wages exceed the limit for that tax year, then you MUST file separate Forms W-2 showing the wages paid by each employer to that employee.</p> <p>In the above case, the employee <u>must</u> receive two or more W-2s. The W-2 <u>box b</u> would still be in the agent's employer tax identification number (TIN) but <u>box c</u> of the W-2 would show:</p> <ul style="list-style-type: none"> • The agent's name • "Agent for" (name of the employee's employer) • Agent's address 	<ol style="list-style-type: none"> 1. In the W-2 box b area - Use your agent's EIN. 2. In W-2 box c employer's name and address area, please note the following: <ol style="list-style-type: none"> a. First line – enter your (the agent's name b. Second line – enter, "Agent for"(name of Employer) c. Third line and thereafter – enter your (the agent's) full address. <p>Note: If an employee worked for more than one employer during the year and had excess Social Security tax withheld, the employee should claim the excess withheld on the appropriate line of Form 1040 or Form 1040A. It is not the agent's responsibility to refund excess Social Security tax.</p>

W-3	<p>The agent should submit all employer Forms W-2 Copy A under one W-3 transmittal.</p> <p>The one W-3 transmittal would include the summary W-2 Copy A information of:</p> <ul style="list-style-type: none"> • Your employees AND • The employees of the employers you represent as an agent AND • Any W-2s Copy A issued as “Agent for” (name of employer). 	<p>Enter your (the agent’s):</p> <ol style="list-style-type: none"> 1. EIN in box e of the W-3 2. Name in box f of the W-3 3. Address in box g of the W-3 <p>In box h of the W-3, enter the EIN of the employer you are representing. If you are representing more than one employer, leave box h blank.</p>
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Note: Please refer to IRS Revenue Procedure 70-6, 1970-1 C.B. 420, for complete filing instructions for “agents.” Also refer to IRS Publication 15-A, Employer’s Supplemental Tax Guide.

Third-Party Sick Pay

The correct reporting of third-party sick pay is as important to your employees as it is to us. The pay timing, nature and amount of those sick payments determine what portion of the payments are included in both Social Security wages and Medicare wages on the W-2. You or your third-party sick pay provider will need to determine who reports the information to SSA.

The type of business relationship you have contracted with the third-party sick pay payer will determine how you report information on the employee’s W-2s Copy A, the W-3 transmittal and how you complete and reconcile the quarterly 941s with the W-2s Copy A and W-3. This relationship will also determine who remits taxes withheld from the employee’s pay and who pays the matching employer Social Security and Medicare taxes.

What is Third-Party Sick Pay?

Third-party sick pay is an amount paid under a plan to your employees who are temporarily absent from work due to sickness, illness, injury or disability. It is usually paid by a third-party such as an insurance company. The sick pay discussed here is **NOT** the normal sick pay you pay your employees out of the payroll account for a missed day of work due to sickness.

Third-party sick pay does **NOT** include:

- ❑ Disability retirement;
- ❑ Workers' compensation;

- ❑ Medical expense payments; or
- ❑ Payments unrelated to absence from work.

What is Taxable to Social Security Wages and Medicare Wages for Third-Party Sick Pay, Who Reports it and Where is it Reported?

Determining what portion of the sick pay is taxable and who reports the wages and taxes depends on a number of factors. The following pages show the different parts (or steps) to help you determine your responsibility and the responsibility of your third-party sick pay payer.

Part I – What Part of Third-Party Sick Pay is Taxable?

A. TIMING - What is the last day your employee worked before becoming entitled to sick pay?
The timing of when your employee stopped working is important in determining the taxable base.

** Depending on when your employee received third-party sick pay, it could be taxable.**

The basic rule is that Social Security, Medicare taxes and Federal Unemployment Tax Act (FUTA) taxes do **not** apply to sick pay paid more than 6 calendar months **after** the last calendar month in which the employee worked. (Note: The 6-month rule does not apply to box 1, Wages, Tips, other compensation wages or box 2, Federal income tax withheld.)

TIMING CALCULATION

- Step 1 What is the last day your employee worked before going out on sick leave?
- Step 2 Round that date to the end of the month.
- Step 3 Add 6 months to that date.
- Step 4 (a) Amounts received by your employee on or before the date calculated in Step 3 **are** subject to Social Security and Medicare wage inclusion and **are** subject to those taxes (and FUTA wages and taxes). These amounts are included in box 1, Wages, Tips, other compensation and are subject to box 2, Federal income tax withholding.

Step 4 (b) Amounts received after the date calculated in Step 3 **are NOT** subject to Social Security and Medicare taxes (nor FUTA) but are wages included in box 1, Wages, Tips, other compensation and are subject to box 2, Federal income tax withholding.

B. PERCENTAGES - *Who paid the premiums for the third-party sick pay - employee, employer or combination?* Determining the percentage of the premium paid by you, the employer, and/or the amount contributed by your employee determines the percentage to apply to the amount of sick pay.

** The employer's percentage of the premium paid on the third-party sick pay plan is multiplied by the amount of sick pay to determine the taxable amount.**

Overall, the general rule is that if an employee pays for the sick pay plan, then the sick pay received in the time period noted in Step 4 (a) above is **NOT** Social Security and Medicare taxable nor included in the employee's Social Security and Medicare wages.

The taxable portion of the third-party sick pay for Social Security and Medicare wages and tax calculation would be the amount determined in step 4(a) of the Timing Calculation on the preceding page - multiplied by the employer's percentage rate as determined in the table below.

If	Then
The <u>employee</u> pays for all of the sick pay plan in after tax dollars (i.e., contributes to the plan, has money withheld from pay for the sick pay plan).	None of the third-party sick pay is included in Social Security and Medicare wages; nor is it taxable for Social Security, Medicare or FUTA. The <u>employer</u> did <u>not</u> contribute to the sick pay received and none of the third-party sick pay is taxable.
The <u>employee</u> pays for any part of the sick pay plan in before tax dollars (pretax basis) (i.e., contributes to the plan, has money withheld from pay for the sick pay plan).	This is considered 100 percent <u>employer</u> paid. All of the sick pay received within the timing limitation as shown in "Part I, A. Timing" IS included as Social Security and Medicare wages and is Social Security, Medicare and FUTA taxable.
Both the employer and employee (employee in after tax dollars) contribute to the sick pay plan.	Obtain the percentage of the policy cost that you contributed for each of the 3 years before the calendar year in which the sick payments were made. Use that percentage. <u>If the policy is not in effect for 3 years,</u> use your percentage of the cost of the premiums

	<p>for the years the policy has been in effect.</p> <p><u>If the policy is not in effect for a full year,</u> use a reasonable estimate of the percentage of your cost for the first policy year.</p>
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Part II – Who Pays the Taxes and Who Reports the Information?

After understanding what makes up the taxable portion of third-party sick pay, questions then arise about who withholds and deposits the taxes and who reports the third-party sick pay information. The answer depends on your contract and terms of agreement with the third-party sick pay provider.

TRANSFER OF LIABILITY - SPLIT RESPONSIBILITY Sometimes, the agreements with your third-party sick pay provider will determine who is responsible for withholding, depositing and reporting employee and employer Social Security and Medicare taxes.

If the third-party sick pay provider “transfers the liability,” then the responsibility for withholding, depositing and reporting Social Security and Medicare wage and tax data is split between your third-party sick pay provider and you, the employer.

If	Then
<p>Your third-party sick pay provider:</p> <p>→ makes the sick payments to your employees,</p> <p style="text-align: center;">AND</p> <p>→ withholds the employee portion of Social Security and Medicare taxes,</p> <p style="text-align: center;">AND</p> <p>→ timely deposits the employee portion of Social Security and Medicare taxes</p> <p style="text-align: center;">AND</p> <p>→ informs you timely of when the employee deposits were made</p>	<p>The third-party sick pay provider has:</p> <p>“Transferred its liability” to the employer.</p> <p>This means that responsibilities are split between you and the third-party sick pay provider.</p> <p style="text-align: center;"><u>The third-party sick pay provider</u> must withhold, deposit and report the EMPLOYEE Social Security and Medicare taxes (third-party sick pay provider may withhold income taxes if requested by employee),</p> <p style="text-align: center;">AND</p> <p style="text-align: center;"><u>You must</u> deposit and report your matching Social Security and Medicare taxes</p>

<p style="text-align: center;">so that you can pay the employer matching portion of employer Social Security taxes and Medicare taxes timely and without penalty.</p>	<p>AND</p> <p>You must issue the W-2 to the individual employees for third-party sick pay.</p>
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REPORTING REQUIREMENTS - LIABILITY IS TRANSFERRED

FORM	THIRD-PARTY SICK PAY PROVIDER RESPONSIBILITIES Liability IS transferred ←	THE EMPLOYER'S RESPONSIBILITIES → Liability IS transferred
W-2	<p>Third-party sick pay provider prepares a Third-Party Sick Pay Recap Form W-2.</p> <p>This is one W-2 that summarizes all the amounts paid to the employees of all clients as third-party sick pay. Individual W-2s are NOT issued by the third-party sick pay provider if <i>“liability was transferred.”</i></p> <p>On the one Third-Party Sick Pay Recap Form W-2:</p> <p>box b <u>Employer identification number</u> - use the third-party sick pay provider’s EIN.</p> <p>box c <u>Employer’s name, address and zip code</u> - use the third-party sick pay provider’s name and address.</p> <p>box d <u>Employee’s SSN</u>- leave blank.</p> <p>box e <u>Employee’s name</u> - enter “Third- Party Sick Pay Recap.”</p> <p>box 1 <u>Wages, tips, other compensation</u> - enter the total of the sick pay paid to clients’ employees.</p> <p>box 2 <u>Federal income tax withheld</u> - enter any Federal income tax withheld from third-party sick pay by the third-party sick pay provider.</p> <p>box 3 <u>Social Security wages</u> - enter the sick</p>	<p>As the employer, you are responsible for issuing the W-2 to the individual employees for third-party sick pay.</p> <p>You have the option of preparing one or two W-2s for the individuals that have sick pay. If issuing two W-2s: one is for regular wages and one W-2 is for sick pay. If issuing one W-2, combine the totals of the regular wages and sick pay and summarize onto one W-2.</p> <p>A Form W-2 must be prepared even if all the third-party sick pay is non-taxable.</p> <p>box b <u>Employer identification number</u> - use your EIN.</p> <p>box c <u>Employer’s name, address and zip code</u> - use your name and address.</p> <p>box d <u>Employee’s SSN</u> - enter the employee’s SSN.</p> <p>box e <u>Employee’s name</u> - enter the employee’s name.</p> <p>box f <u>Employee’s address</u> - enter the employee’s address.</p> <p>box 1 <u>Wages, tips, other compensation</u> - enter any regular wages and the TAXABLE portion of any third-party sick pay payments as calculated in <i>“Part I, Timing and Percentage.”</i></p>

FORM	THIRD-PARTY SICK PAY PROVIDER RESPONSIBILITIES Liability IS transferred ←	THE EMPLOYER'S RESPONSIBILITIES → Liability IS transferred
W-2	<p>pay subject to employee Social Security tax.</p> <p>box 4 <u>Social Security tax withheld</u> - enter the Social Security tax withheld from employees' third-party sick pay by the third-party sick pay provider.</p> <p>box 5 <u>Medicare Wages and tips</u> - enter the sick pay subject to employee Medicare tax.</p> <p>box 6 <u>Medicare tax withheld</u> - enter the Medicare tax withheld from employees' third-party sick pay by the third-party sick pay provider.</p> <p>The Third-Party Sick Pay Recap Form W-2 is used by IRS and SSA to reconcile wages from the 941, CT-1 or 943 to annual wage reporting on the W-2s and W-3.</p> <p>As part of the W-2 process when the third-party has "transferred its liability," the third-party sick pay provider MUST provide the employer a <u>Sick Pay Statement</u>.</p> <p>This <u>Sick Pay Statement must:</u></p> <ol style="list-style-type: none"> 1. Be issued to the employer by the third-party sick pay provider by January 15 for sick pay paid in the calendar year just ended. 2. Include the following: <ol style="list-style-type: none"> a. employee's name; b. employee's SSN if Social Security, Medicare and/or income taxes were withheld; c. amount of sick pay paid to the employee; d. amount of income taxes withheld; e. amount of Social Security tax withheld; and f. amount of Medicare tax withheld. 	<p>box 2 <u>Federal income tax withheld</u> - enter any Federal income tax withheld.</p> <p>box 3 <u>Social Security wages</u> - enter Social Security wages from regular pay and the TAXABLE amount of the third-party sick pay as calculated in "<i>Part I, What Part of Third-Party Sick Pay is Taxable?</i>"</p> <p>box 4 <u>Social Security tax withheld</u> - enter the Social Security tax withheld from the employee's regular pay and the Social Security withheld from the employee's sick pay by the third-party sick pay provider.</p> <p>box 5 <u>Medicare Wages and tips</u> - enter the employee's regular Medicare wages from regular pay and the TAXABLE amount of the third-party sick pay as calculated in "<i>Part I, What Part of Third-Party Sick Pay is Taxable?</i>"</p> <p>box 6 <u>Medicare tax withheld</u> - enter the Medicare tax withheld from the employee's regular pay and the Medicare tax withheld from the employee's sick pay by the third-party sick pay provider.</p> <p>box 12 <u>Codes</u> - if applicable, use code J nontaxable sick pay. Show any sick pay not includable in income (and not shown in boxes 1, 3 and 5) because the employee contributed to the sick pay plan.</p> <p>Note: The amount in box 12 and the amount of third-party sick pay included in box 1 when combined should agree to the total third-party sick pay (taxable and nontaxable) your employee received. This reporting is required even if the entire amount of sick pay is nontaxable.</p> <p>box 13 <u>Checkboxes</u> - check the "Third-party sick pay" box only if the amounts were paid by a third party.</p> <p>box 14 <u>Other</u> - you may use this box for any other information that you wish to provide</p>

FORM	THIRD-PARTY SICK PAY PROVIDER RESPONSIBILITIES Liability IS transferred ←	THE EMPLOYER'S RESPONSIBILITIES → Liability IS transferred
W-2		your employees. For instance, with third-party sick pay information, you could type in the third-party provider's name.
W-3	<p>The third-party sick pay provider attaches the Third-Party Sick Pay Recap Form W-2 to a separate Third-Party Sick Pay Recap Form W-3.</p> <p>Prepare the separate Third-Party Sick Pay Recap Form W-3 as indicated below.</p> <p>Complete only boxes b, c, e, f, g, 1, 2, 3, 4, 5, 6 and 13 of the W-3 form.</p> <p>box b <u>Kind of payer</u> - check both the "Third-party sick pay" box and the "941" (or other applicable) box.</p> <p>box c <u>Total number of Forms W-2</u> - only one Form W-2 should be attached, which is the Third-Party Sick Pay Recap Form W-2.</p> <p>box 13 <u>For third-party sick pay use only</u> - enter "Third-Party Sick Pay Recap" in this box.</p> <p>box 14 <u>Income tax withheld by payer of third-party sick pay</u> - Do NOT complete this box. The employer completes this box on his W-3.</p>	<p>You complete the Form W-3 summarizing the Form W-2 Copy A information.</p> <p>box b <u>Kind of Payer</u> - check both the "Third-party sick pay" box and the "941" (or other applicable) box.</p> <p>box 13 <u>For third-party sick pay use only</u> - Do NOT complete this box.</p> <p>box 14 <u>Income tax withheld by payer of third-party sick pay</u> - you complete this box on the Form W-3 only if you have employees who had income tax withheld on third-party payments of sick pay. Show the total income tax withheld by third-party payers on payments to all your employees. While this tax is already included in box 2, it must also be reported in box 14.</p>

FORM	<p style="text-align: center;">THIRD-PARTY SICK PAY PROVIDER RESPONSIBILITIES</p> <p style="text-align: center;">Liability IS transferred ←</p>	<p style="text-align: center;">THE EMPLOYER'S RESPONSIBILITIES</p> <p style="text-align: center;">→ Liability IS transferred</p>
<p>941</p>	<p>Must file Form 941 because of the split reporting responsibilities, <u>line 7b</u> must contain a special adjusting entry for Social Security and Medicare taxes.</p> <p>Third-party sick pay provider's responsibilities are to include the <u>employee</u> part of Social Security and Medicare taxes (and income tax if any withheld).</p> <p>Line 2 <u>Wages</u>- does NOT include any sick pay paid as third-party sick pay provider.</p> <p>Line 3 <u>Income tax withheld</u> - report the amount of income tax if any was withheld in the capacity of third-party sick pay provider.</p> <p>Line 5a <u>Taxable Social Security wages</u> - third-party sick pay provider enters amount subject to Social Security taxes which includes both:</p> <ol style="list-style-type: none"> 1. wages paid to its own employees, and 2. amounts paid as third-party sick pay. <p>Line 5c <u>Taxable Medicare wages and tips</u> - third-party sick pay provider enters amount subject to Social Security taxes which includes both:</p> <ol style="list-style-type: none"> 1. wages paid to its own employees, and 2. amounts paid as third-party sick pay. <p>Line 5d <u>Total Social Security and Medicare taxes</u> - add together amounts from column 2 lines 5a, 5b and 5c as stated in the 941 instructions.</p> <p>Line 7b <u>Tax Adjustments Current Quarter's sick pay</u> - third-party sick pay provider subtracts out the <u>employer's</u> share of Social Security and Medicare taxes.</p>	<p>Must file Form 941 because of the split reporting responsibilities, <u>line 7b</u> must contain a special adjusting entry for Social Security and Medicare taxes.</p> <p>Line 2 <u>Wages</u> - include wages of third-party sick pay. (See IRS Publication 15-A, Employer's Supplemental Tax Guide, Chapter 6, Sick Pay Reporting for what is included in Federal wages.)</p> <p>Line 3 <u>Income tax withheld</u> - employer does NOT complete these lines for third-party sick pay.</p> <p>Line 5a <u>Taxable Social Security wages</u> - include wages of third-party sick pay.</p> <p>Line 5c <u>Taxable Medicare wages and tips</u> - include wages of third-party sick pay.</p> <p>Line 5d <u>Total Social Security and Medicare taxes</u> - add together amounts from column 2 lines 5a, 5b and 5c as instructed.</p> <p>Line 7b <u>Tax adjustments current quarter's sick pay</u> - SUBTRACT the <u>employee</u> Social Security and Medicare taxes withheld and deposited by the third-party provider. <i>**Remember, you are responsible for the "employer's" share of matching Social Security and Medicare taxes.**</i></p>

FORM	THIRD-PARTY SICK PAY PROVIDER RESPONSIBILITIES Liability IS transferred ←	THE EMPLOYER'S RESPONSIBILITIES → Liability IS transferred
941		
940	If liability is transferred to the employer, then third-party sick pay provider has no responsibilities for third-party sick pay on Form 940.	The employer prepares Form 940 for sick pay.

Transfer of Liability – Optional Rule for Form W-2

If transfer of liability has occurred, you and the third-party sick pay provider may choose, through a legally binding contract, to agree to the third-party sick pay provider becoming your agent for purposes of preparing W-2s reporting sick pay.

- If this is agreed upon in writing, the third-party prepares the actual Forms W-2 for each employee and does not need to provide the sick pay statement to you

AND

- You (the employer) would prepare the **Third-Party Sick Pay Recap** forms for the Forms W-2 and the W-3.

Please see the 2005 Instructions for Forms W-2 and W-3, as well as IRS Publication 15-A, Employer's Supplemental Tax Guide, Chapter 6, Sick Pay Reporting, for specific reporting instructions.

LIABILITY IS NOT TRANSFERRED - THIRD-PARTY PROVIDER IS RESPONSIBLE

If the third-party sick pay provider does **NOT** “transfer the liability”, the withholding, depositing and reporting of Social Security and Medicare wage and tax data on the sick

pay (both the employee withholding and your matching portion) are the responsibility of the third-party.

If	Then
<p>Your third-party sick pay provider:</p> <p>Does not meet the requirements for <i>“transferring liability”</i> as explained earlier...</p>	<p style="text-align: center;">The third-party sick pay provider has:</p> <p style="text-align: center;">the responsibility of withholding and depositing Social Security taxes, Medicare taxes and Federal income taxes on the third-party sick pay of your employees;</p> <p style="text-align: center;">AND</p> <p style="text-align: center;">the responsibility of depositing your matching Social Security taxes, Medicare taxes and your FUTA tax based on the third-party sick pay of your employees;</p> <p style="text-align: center;">→ AND</p> <p style="text-align: center;">the responsibility of completing the W-2s for each of your employees for the third-party sick pay amounts using his third-party sick pay payer name, address and EIN.</p> <p style="text-align: center;">NOTE: When the third-party sick pay provider does NOT “transfer liability”:</p> <p style="text-align: center;">→</p> <ul style="list-style-type: none"> • on the W-2, the third-party provider would check box 13, “Third-party sick pay.” • on the W-3, the third-party provider would check in box b the “Third-party sick pay” box. If more than one checkbox applies (i.e., this and the 941 checkbox) file a <u>single</u> Form W-3 that contains the summarized W-2 information from both the regular and “third-party sick pay” W-2s. <p style="text-align: center;">AND</p> <p style="text-align: center;">→ the responsibility for reporting the sick pay on its own Form 941 and annual Form 940.</p>

Please see the 2005 Instructions for Forms W-2 and W-3 as well as IRS Publication 15-A, Employer's Supplemental Tax Guide, Chapter 6, Sick Pay Reporting, for specific reporting instructions.

Chapter 3: Standards, Specifications and Edits

Introduction

This Chapter provides standards, specifications and edits for preparing paper Forms W-3 and W-2 (Copy A) for SSA. These criteria are intended for two audiences (1) employer human resource/payroll departments and (2) payroll tax software developers.

The guidelines include what data to compile, describe what these data should represent and specify certain characteristics that may identify suspect or incorrect data. Also included are which data to print in each Form W-2/W-3 box, data entry content requirements, data entry formats and edits that may identify suspect or incorrect entries.

The standards, specifications and edits that follow indicate that a box is either required or optional. If the data elements are required to be submitted to SSA for either (1) use by SSA for programmatic purposes and/or (2) accumulation and transmission to IRS for tax processing and enforcement purposes, the box on Forms W-3 and Copy A of Forms W-2 is identified as required. If the data elements are not required to be submitted to SSA, the box is identified as optional. However, these data elements may still be required on copies of Forms W-2 submitted to employees or State and local entities.

Form W-2 Copy A

Purpose

Form W-2 Copy A, tells SSA that an individual associated with the given SSN had covered earnings and may be eligible for future benefits and payments. SSA posts the earnings information to individual accounts of the workers. The entries on Form W-2 are based on earnings for the calendar year from January 1 to December 31.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only ▶ OMB No. 1545-0008			
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 Employee's social security number			9 Advance EIC payment	10 Dependent care benefits			
e Employee's first name and initial		Last name		11 Nonqualified plans			
f Employee's address and ZIP code			12a See instructions for box 12	12b			
			12c	12d			
			13 Statutory employee <input type="checkbox"/>	Retirement plan <input type="checkbox"/>	Third-party sick pay <input type="checkbox"/>		
			14 Other				
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

2005

Department of the Treasury—Internal Revenue Service
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General Instructions on W-2 Preparation

1. Use either IRS official Forms W-2 or privately-printed substitute Forms W-2. Substitute forms are defined as forms that are not printed by IRS.
2. All privately-printed substitute Forms W-2 must adhere to the specifications contained in IRS Publication 1141, General Rules and Specifications for Substitute Forms W-2 and W-3. Substitute territorial Forms W-2 (W-2GU, W-2VI, W-2AS, and W-2CM) must also adhere to the specifications included in IRS Publication 1141.
3. If you file a paper Form W-2 Copy A with SSA, then a Form W-3 must also be completed and accompany the Forms W-2 Copy A filed with SSA.

4. Send the whole page of Form W-2 Copy A with Form W-3 to SSA even if one of the Forms W-2 on the page is blank or void. Remit the Forms W-2 Copy A to SSA either alphabetically by employee's last name or numerically by employee's SSN.
5. Only originals of Form W-2 Copy A may be filed with SSA. Carbon copies and photocopies are not accepted by SSA.
6. SSA accepts only Forms W-2 copy A printed on 8 ½ inch by 11 inch paper (exclusive of any snap stubs). There must be two Forms W-2 Copy A contained on one 8 ½ by 11 inch paper and no horizontal perforation is permitted between the two Forms W-2 Copy A on each page.
7. Forms may be laser printed in black and white and both the data and forms must be printed in nonreflective black ink only. These forms must comply with IRS Publication 1141. They require approval from SSA as detailed in Publication 1141. The forms must **not**:
 - contain corner register marks and
 - contain shaded areas including boxes that are entirely shaded on the Red-ink forms.
8. All printing of substitute Forms W-2 Copy A, other than laser, must be in Flint J-6983 red Optical Character Recognition (OCR) dropout ink or an exact match, except for the following areas, which are to be printed in nonreflective black ink:
 - the form identifying numbers "22222" at the top;
 - tax year at the bottom of the form using 24 point OCR-A font; and
 - the four corner register marks.
9. Prior approval from SSA or IRS is not required on privately printed red-ink substitute forms. Again, these forms must conform exactly to the requirements as stated in Publication 1141.
10. If you are uncertain about any of the specifications or criteria for the substitute Forms W-2 and W-3, please send your questions to:

SSA for Black and White
 Laser printed Forms
W-2 Copy A and W-3

Social Security Administration
 Data Operations Center
 Attn: Laser Forms Approval, Room 359
 1150 E. Mountain Drive
 Wilkes-Barre, PA 18702-7997

IRS for Red-ink Forms
W-2 Copy A and W-3

Internal Revenue Service
 Attn: Substitute Forms Coordinator
 SE:W:CAR:MP:T:T:SP,
 1111 Constitution Ave. NW, IR-6516
 Washington, DC 20224
 (or e-mail at *taxforms@irs.gov)

11. Paper for privately-printed red-ink substitute forms (cut sheets and continuous pin feed forms) that are to be filed with SSA must be white 100 percent bleached chemical wood, 18-20 pound paper only, OCR bond with specific weight requirements. Pinfed strips must be removed when Forms W-2 Copy A are filed with SSA. See IRS Publication 1141.
12. Software used to produce the Forms W-2 should automatically enter required information such as employer and employee names, addresses, SSNs or EINs, etc.
13. Only alphabetic or numeric information should be entered. Invalid SSNs or EINs should be screened out.
14. Employee tax withholding amounts should be consistent with the taxable wages and rates for Social Security and Medicare.

15. Do not print, write or enter any data in the margins of the form(s).
16. The font used to print data on Forms W-2 should be 12-point Courier, using black ink.
17. Do not use script, inverted fonts, italics and/or dual case fonts when entering data on the forms.
18. Do not use inks that contain red pigment on forms that contain employer provided information.
19. Do not erase, whiteout or strike over an entry.
20. Data entries on the Forms W-2 should be machine printed, whenever possible.
21. The data entered must be presented in clear, dark images to guarantee optically scannable forms and all copies must be legible.
22. Insert data within the box. Do not go outside of boxed area when entering data.
23. Make all dollar entries without the dollar sign and without the comma but use the decimal point and show the cents portion of money amounts.
24. If a box does not apply, leave it blank.
25. The back of substitute Forms W-2 Copy A must be blank and free of all printing.

Form W-2 Copy A

box a Control number - **Optional**
 - SSA prefers this number not print out on Form W-2 Copy A. Some employers use this box to identify individual Forms W-2. If you use this box, please keep data within boxed area.

Void Required if applicable - This box must either be blank or contain an "X." Place an "X" in this box when an error is made on Form W-2 and voided because a new Form W-2 has been completed. DO NOT count "Void" W-2 forms or include any amounts shown on the "Void" forms in the totals entered on Form W-3.

Form W-2 Wage and Tax Statement
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box b Employer identification number (EIN) - **Required** - Enter the 9 digit number assigned by the IRS 00-0000000.

- Must be 10 positions.
- Hyphen only in position 3.
- All numerics except hyphen in position 3.
- Use the same EIN used in preparing Federal employment tax returns e.g., 940, 941 or 943, CT-1, Schedule H (Form 1040).
- If you do not have an EIN when filing Forms W-2, enter "applied for" in box b. You must have completed Form SS-4, Application for an EIN.
- See Chapter 2: Special Considerations to see whether your Agent's number or third-party sick pay provider's EIN is used in this box.
- See Chapter 4: "Common Errors - Dos and Don'ts" for numbers that cannot be used.

box c Employer's name, address and ZIP code - **Required** -

- Show your full name, address and ZIP code. This should be the same name and address as shown on Forms 941, 943 or CT-1 or Schedule H (Form 1040).
- If an agent prepared the Form W-2, then use the agent's name, address and ZIP code.
- See Chapter 2: Special Considerations, Agent Reporting for special reporting situations where the agent's full name and address would not be used.
- See Chapter 2: Special Considerations, Third-Party Sick Pay - when liability is not transferred, the third-party provider would complete the W-2 using his third-party name and address.
- Free-form.

Form W-2 Copy A

a Control number 22222		Void <input type="checkbox"/>	For Official Use Only ▶ OMB No. 1545-0008		
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 Employee's social security number			9 Advance EIC payment	10 Dependent care benefits	
e Employee's first name and initial		Last name	11 Nonqualified plans		12a See instructions for box 12
			13 Statutory employee <input type="checkbox"/>	Retirement plan <input type="checkbox"/>	Third-party sick pay <input type="checkbox"/>
			14 Other		12b
f Employee's address and ZIP code					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
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box d Employee's social security number - Required -

- Enter the employee's SSN as shown on the employee's Social Security card.
- Please review for accuracy.
- Must be 11 positions 000-00-0000.
- Hyphen only in positions 4 and 7.
- Numeric in all positions except 4 and 7.
- If the employee has applied for a Social Security card but has not yet received an SSN, enter "applied for" in box d. The employee must contact an SSA office and complete Form SS-5, Application for a Social Security card. Note: The employee should notify you when their Social Security card is obtained so that you may file a Form W-2c with the correct name and SSN.
- An IRS issued Individual Taxpayer Identification Number (ITIN) is **NOT** an SSN. It should not be used here in place of an SSN.
- Do not complete box d if you are a third-party sick pay provider where "liability is transferred." See Chapter 2: Special Considerations, Third-Party Sick Pay for more information.
- See Chapter 4: "Common Errors - Dos and Don'ts" for numbers that cannot be used.

box e Employee's first name and initial/last name - Required -

- Enter the name as shown on the employee's Social Security card.
- Please review for accuracy.
- Format as first name and middle initial in first half of box e and last name in the second half of box e.
- If the name does not fit, you may show first name initial, middle initial and last name, ignoring the vertical line.
- Exclude titles in prefixes or suffixes.
- Compound surnames may be connected with a hyphen or a blank space.
- If the name has changed, the employee must get a corrected card from an SSA office. Use the name as shown on the employee's original Social Security card until the corrected card is received.
- If a third-party sick pay provider where liability is transferred, enter "Third-Party Sick Pay Recap." See Chapter 2: Special Considerations, Third-Party Sick Pay for more information.
- See Chapter 4: "Common Errors - Dos and Don'ts" for examples of how to and how not to report names.

box f Employee's address and ZIP code - Required -

- Enter the employee's full address and ZIP code.
- For foreign address, give the information in the following order: city, province or state, country and country postal code. Do not abbreviate or truncate the country's name.

Form W-2 Copy A

a Control number 22222		Void <input type="checkbox"/>		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number (EIN)				1 Wages, tips, other compensation	
c Employer's name, address, and ZIP code				2 Federal income tax withheld	
d Employee's social security number				3 Social security wages	
e Employee's first name and initial				4 Social security tax withheld	
Last name				5 Medicare wages and tips	
f Employee's address and ZIP code				6 Medicare tax withheld	
15 State Employer's state ID number				7 Social security tips	
16 State wages, tips, etc.				8 Allocated tips	
17 State income tax				9 Advance EIC payment	
18 Local wages, tips, etc.				10 Dependent care benefits	
19 Local income tax				11 Nonqualified plans	
20 Locality name				12a See instructions for box 12	
				12b	
				12c	
				12d	
				13	
				14	

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

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box 1 Wages, tips, other compensation -

Required -

Formatting amounts

- Must be dollars and cents.
- Amounts only numerics with a decimal point.
- No dollar signs "\$" and no commas ",".
- Decimal point must be shown even when the entry is even dollars (Example: 1000.00).
- Cannot be a negative amount.
- Do not erase, whiteout or strike over an entry.
- If amount in box is zero, leave the box blank.

Show the total wages, tips and other compensation you paid your employee during the year. Calculate (excluding elective deferrals) (except section 501(c)(18) contributions), before any payroll deductions, the following:

1. Total wages and bonuses paid during the year.
2. All tips reported except allocated tips.
3. All non-cash payments (including fringe benefits).
4. All distributions from nonqualified deferred compensation plans and nongovernmental section 457 (b) plan.
5. Amounts includable in income under section 457(f) because the amounts are no longer subject to a substantial risk of forfeiture.
6. Taxable cost of group-term life insurance paid to employees in excess of \$50,000.
7. Reimbursements for employee expenses (accountable plan) exceeding amounts treated as substantiated.
8. Payments for employee expenses under a nonaccountable plan.
9. Cost of current insurance protection under a compensatory split-dollar life insurance arrangement.
10. Dependent care benefit amounts incurred in excess of the \$5,000 exclusion (certain rules apply).

box 1 Wages, tips, other compensation - (cont.)

11. Employer contributions to Archer Medical Savings Account (MSA) or Health Savings Account (HSA) - may be includable in the income of the employee (special rules apply).
12. Employee contributions to Archer MSA or HSA account.
13. Certain payments for non-job related education expenses under a nonaccountable plan unless excludable under an educational assistance program.
14. Cost of accident and health insurance premiums/benefits is included in the wages of S Corporation employee(s) who own more than 2 percent of the S Corporation (2 percent Shareholder).
15. Employer contribution for qualified long-term care services to the extent that such coverage is provided through a flexible spending or similar arrangement.
16. All other compensation:
 - a) Nonqualified moving expenses.
 - b) Certain scholarships or fellowship grants.
 - c) Employee taxes paid by employer. (See exceptions for household and agricultural employers)
 - d) Certain prizes and awards.
17. Golden Parachute payments.
18. Sick pay - See Chapter 2: Special Considerations, Third-Party Sick Pay to determine taxability.
19. Taxable benefits from a section 125 cafeteria plan where employee chooses cash.
20. Compensation includes payment to statutory employees, which are subject to Social Security and Medicare taxes but not Federal withholding income taxes.
21. Nonqualified deferred compensation plan amounts includable in income because of section 409A.

box 2 Federal income tax withheld - Required, if applicable -**Formatting Amounts**

- Must be dollars and cents.
 - Amounts only numerics with a decimal point.
 - No dollar signs "\$" and no commas ",".
 - Decimal point must be shown even when the entry is even dollars (Example: 1000.00).
 - Cannot be a negative amount.
 - Do not erase, whiteout, or strike over an entry
 - If amount in box is zero, leave the box blank.
1. Show the total Federal income tax withheld from the employee's pay for the year.
 2. Do not reduce the tax by any advance EIC payments made to the employee.
 3. Include the 20 percent excise tax withheld on excess golden parachute payments.

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
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 Employee's social security number			9 Advance EIC payment	10 Dependent care benefits			
e Employee's first name and initial		Last name		11 Nonqualified plans	12a See instructions for box 12		
f Employee's address and ZIP code			13a Salary wages	12b	12c		
			13b Retirement plan	12d	12e		
			13c Third-party sick pay	12f		12g	
			14 Other	12h		12i	
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
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box 3 Social security wages - Required, based on type of employment -

1. See box 2 above for dollar amount formatting.
2. For employment where wages are subject to the 6.2 percent Social Security tax.
3. The total of box 3 and box 7 cannot exceed the maximum Social Security taxable wage base amount of \$90,000 for year 2005. Enter the lessor of the gross taxable Social Security wage as calculated in 4 below or the maximum wage base of \$90,000 (less any amount in box 7).
4. Calculate the total Social Security wages paid (before payroll deductions).
 - a) This amount generally should represent all wages and other compensation included in box 1.
 - b) Deduct Social Security tips (box 7) included in box 1 and do not include any allocated tips (box 8).
 - c) Include elective deferrals to:
 - i) Certain qualified cash or deferred compensation arrangements not included in box 1.
 - ii) Retirement arrangements reported in box 12 (codes D, E, F, G, and S) that are not included in box 1.
 - iii) SEP contributions paid under a salary reduction agreement (SARSEP).
 - iv) Include both elective and non-elective deferrals for section 457 (b) plans if not already included.
 - v) Include SIMPLE (Savings incentive match plan for employees) retirement accounts where employees, through salary reduction, contributed to a SIMPLE retirement account.
 - d) Include adoption amounts paid or expenses incurred by employer for qualified adoption expenses that are not reported in box 1.
 - e) Certain scholarships/fellowships which may or may not have been included in box 1.
 - f) Deduct the amount included in box 1 for employer contribution for qualified long-term care services to the extent that such coverage is provided through a flexible spending or similar arrangement.
 - g) Third-party sick pay - amount to be included in Social Security wages generally differs from the amount included in box 1. See Chapter 2: Special Considerations to calculate.
5. Do not include entry when type of employment is MQGE or RRTA.
6. If box 3 contains an entry, then box 4 must contain an entry and/or box 12 must contain an entry preceded by an alpha code of "M."
7. If box 3 contains an entry then box 5 must contain an entry

Form W-2 Copy A

box 4 Social security tax withheld - Required, based on type of employment -

1. See box 5 below for dollar amount formatting.
2. For employment where wages are subject to the 6.2 percent Social Security tax.
3. Calculate the total employee Social Security tax (not the employer share) withheld for the employee up to a maximum of \$5,580.00 (90,000 x .062). This includes Social Security tax withheld on tips.
4. The amount withheld should agree to the sum of boxes 3 and 7 multiplied by the Social Security tax rate of .062 but not to exceed \$5,580.00.
5. Do not include entry when type of employment is MQGE or RRTA.

box 5 Medicare wages and tips - Required, based on type of employment -

Formatting Amounts

- Must be dollars and cents.
- Amounts only numerics with a decimal point.
- No dollar signs "\$" and no commas ",".
- Decimal point must be shown even when the entry is even dollars (Example: 1000.00).
- Cannot be a negative amount.
- Do not erase, whiteout or strike over an entry.
- If amount in box is zero, leave the box blank.

1. For employment where wages and tips are subject to the 1.45 percent Medicare tax.
2. Generally, the wages and tips subject to Medicare tax are the same as those wages subject to Social Security tax (boxes 3 and 7) except that there is not a wage base limit for Medicare tax (some differences may occur for certain public sector employers).
3. See box 3 for what comprises gross Social Security taxable wages, which is the total of box 3 and box 7 before applying the wage base limit.
4. Enter tips the employee reported even if you did not have enough employee funds to collect Medicare tax on those tips.
5. Include wages of MQGE employees as they are subject to Medicare tax of 1.45 percent.
6. Must be blank if type of employment is RRTA.
7. If box 5 contains an entry, then box 6 must contain an entry and/or box 12 must contain an entry preceded by an alpha "B" or "N."
8. This entry must equal or exceed the combined entries of boxes 3 and 7.

box 6 Medicare tax withheld - Required, based on type of employment -

1. See box 5 for dollar amount formatting.
2. For employment where wages and tips are subject to the 1.45 percent Medicare tax.
3. There is no limit on the amount of Medicare wages and tips that are subject to Medicare tax.
4. Amount cannot exceed 1.45 percent of the money amount entered in box 5.
5. Cannot contain an entry when the type of employment code is RRTA.

box 7 Social security tips - Required, based on type of employment -

1. See box 5 for dollar amount formatting.
2. Total of boxes 3 and 7 cannot exceed the 2005 Social Security taxable wage limit of \$90,000.
3. Report in box 7 the amount of Social Security taxable tips your employee received (do not include allocated tips).
4. Does not contain an entry when the type of employment is MQGE or RRTA.
5. Include tips the employee reported (except allocated tips), even if you did not have enough employee funds to collect the Social Security tax for those tips.
6. If box 7 contains an entry, then box 4 must contain an entry and/or box 12 must contain an entry with alpha code "A" and box 5 must have an entry.

Form W-2 Copy A

box 9 Advance EIC payment - Required, if applicable -

1. See box 10 below for dollar amount formatting.
2. Advance EIC payments are eligible to only those employees who meet the requirements as shown on IRS Form W-5. This form must be completed by the employee and submitted to the employer on a yearly basis.
3. Report the total amount you paid your employees during the year as advance EIC payment.
4. Amount cannot exceed **\$1,597.00**, the maximum advance payment allowed by employers to employees for year **2005**.
5. If your employees are entitled to any EIC in excess of the \$1,597.00 advance limit, they must file their personal tax return and claim EIC to receive any remaining amounts.
6. EIC amounts are not included as wages for Form W-2 reporting purposes and are not included in boxes 1, 3 and 5.
7. EIC does not decrease Social Security tax (box 4), Medicare tax (box 6) or Federal income tax (box 2).

box 8 Allocated tips - Required, if applicable -

1. See box 10 below for dollar amount formatting.
2. Do not include this amount in boxes 1, 3, 5 or 7.
3. This box is used by large food and beverage establishments to allocate tips to employees and should reconcile with amounts reported by employer on IRS Form 8027, Employers Annual Information Return of Tip Income and Allocated Tips.

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 Employee's social security number		9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial		Last name		11 Nonqualified plans	
				12a See instructions for box 12	
f Employee's address and ZIP code		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
		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** **2005** Department of the Treasury—Internal Revenue Service
 Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable. For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.
 Cat. No. 10134D
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box 10 Dependent care benefits - Required, if applicable -

Formatting Amounts

- Must be dollars and cents.
 - Amounts only numerics with a decimal point.
 - No dollar signs "\$" and no commas ",".
 - Decimal point must be shown even when the entry is even dollars (Example: 1000.00).
 - Cannot be a negative amount.
 - Do not erase, whiteout or strike over an entry.
 - If amount in box is zero, leave the box blank.
1. Show total dependent care benefits under a dependent care assistance program section 129 paid or incurred by you for your employee.
 2. Include amounts paid or incurred for section 125 – cafeteria plan.
 3. Report all amounts **paid or incurred** including those in excess of the \$5,000 exclusion and regardless of any forfeitures.
 4. These could include:
 - a) Benefits from pre-tax contributions made by employee to a section 125 dependent care flexible spending account.
 - b) Amount paid directly to a day-care facility by the employer or reimbursed to the employee to subsidize the benefit.
 - c) Fair market value of benefits provided by employer.

Form W-2 Copy A

a Control number 22222		Void <input type="checkbox"/>	For Official Use Only ▶ OMB No. 1545-0008		
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 Employee's social security number		9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial		Last name		11 Nonqualified plans	
f Employee's address and ZIP code		13a <input type="checkbox"/> Statutory employee		12a See instructions for box 12	
		13b <input type="checkbox"/> Retirement plan		12b	
		13c <input type="checkbox"/> Third-party sick pay		12c	
		13d <input type="checkbox"/> Other		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

2005

Department of the Treasury—Internal Revenue Service
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box 11 Nonqualified plans - Required, if applicable -

Formatting Amounts

- Must be dollars and cents.
- Amounts only numerics with a decimal point.
- No dollar signs "\$" and no commas ",".
- Decimal point must be shown even when the entry is even dollars (Example: 1000.00).
- Cannot be a negative amount.
- Do not erase, whiteout or strike over an entry.
- If amount in box is zero, leave the box blank.

1. Make only one entry in this box.
2. Box 11 is used by SSA to determine if any part of the amounts reported in boxes 1, 3 or 5 was earned in a prior year, which could affect the calculation of the Social Security earnings test and calculation and payment of benefits.
3. Show any distribution to an employee from a nonqualified plan or a nongovernmental section 457 (b) plan in this box that is also included in box 1.
4. For amounts no longer subject to a substantial risk of forfeiture, show deferrals with earnings for a nonqualified plan or a section 457 plan that is taxable this year for Social Security (box 3) and Medicare (box 5) but represent services from a prior year.
5. Do not report in box 11 deferrals that are for current year services and are reported in boxes 3 and 5.
6. Do not complete box 11 if you made distributions AND are also reporting prior year deferrals in box 3 and/or box 5.
7. Distributions and retirement payments for the following must be reported on Form 1099-R, "Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans" and **not** on Form W-2:
 - a) Distributions from governmental section 457(b) plans.
 - b) Military retirement payments from military employers.
 - c) Distributions of nonqualified or section 457 plans to beneficiaries of deceased employees.

For further information, see Publication 957, "Reporting Back Pay and Special Wage Payments to the Social Security Administration" and Form SSA-131, "Employer Report of Special Wage Payments."

Form W-2 Copy A

a Control number 2222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
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 Employee's social security number			9 Advance EIC payment	10 Dependent care benefits	
e Employee's first name and initial		Last name		11 Nonqualified plans	
f Employee's address and ZIP code			12a See instructions for box 12		12b 12c 12d
			13 Statutory employee Retirement plan Third-party sick pay		
14 Other			15 State Employer's state ID number		
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	
					20 Locality name

Form **W-2** Wage and Tax Statement
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2005
 Department of the Treasury—Internal Revenue Service
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box 12 Codes - Required, if applicable -

Formatting Amounts

- Must be dollars and cents.
- Amounts only numerics with a decimal point.
- No dollar signs "\$" and no commas ",".
- Decimal point must be shown even when the entry is even dollars (Example: 1000.00).
- Cannot be a negative amount.
- Do not erase, whiteout or strike over an entry.
- If amount in box is zero, leave the box blank.

1. Box 12 of Form W-2 Copy A contains four entry boxes – 12a, 12b, 12c and 12d.
 - a) Do not make more than one entry per box.
 - b) Enter your first code and amount in box 12a, your second code and amount in box 12b, etc.
 - c) If more than 4 entries are required, then another W-2 Copy A must be printed for the remaining items for box 12 and again up to only 4 entries.
 - d) Each additional W-2 printed must have boxes b, c, d, e and f completed, as well as, the remaining entries for box 12.
2. Use only the allowable designated IRS codes for the left portion of box 12 which must be capitalized alpha from either "A" through "H", "J" through "N", "P" through "T", "V", "W", "Y" and/or "Z."
 - a) Enter capitalized alpha code to the left of the vertical line and money amount to the right of the vertical line in boxes 12a-d.
 - b) Leave at least one space blank after the capitalized alpha code and before entering the amount.
 - c) Do not report any items in box 12 that are not listed as codes.
 - d) Use box 14 for any items you want reported to your employees that are not reported in box 12.
3. Allowable Codes:
 - "A" Uncollected Social Security or RRTA tax on tips - amounts not included in box 4.
 - "B" Uncollected Medicare tax on tips - amounts not included in box 6.
 - "C" Taxable cost of group-term life insurance over \$50,000 provided to your employee - amounts included in boxes 1, 3 (up to Social Security wage base) and 5.
 - "D" Elective deferrals to a section 401(k) cash or deferred arrangement including SIMPLE 401(k) retirement account.
 - "E" Elective deferrals under a section 408(b) salary reduction agreement.
 - "F" Elective deferrals under a section 408(k)(6) salary reduction Simplified Employee Pension (SEP).
 - "G" Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) governmental and nongovernmental deferred compensation plan for employees.

Form W-2 Copy A

box 12 Codes - (cont.)

Formatting Amounts

- Must be dollars and cents.
- Amounts only numerics with a decimal point.
- No dollar signs "\$" and no commas ",".
- Decimal point must be shown even when the entry is even dollars (Example: 1000.00).
- Cannot be a negative amount.
- Do not erase, whiteout or strike over an entry.
- If amount in box is zero, leave the box blank.

Codes (cont.)

- “J” Nontaxable sick pay – The portion of sick pay paid from a third-party insurer that is not included in income and not shown in boxes 1, 3 and 5. Even if 100 percent of sick payments are nontaxable, the nontaxable portion is shown in this box.
- “K” Report the 20 percent excise tax on the excess golden parachute payments made to certain key corporate employees.
- “L” Substantiated employee business expense reimbursements where the amount you reimbursed your employees for per diem or mileage allowance rates exceeds the amount treated as substantiated. Report only the substantiated (the nontaxable portion) part in box 12. Boxes 1, 3 and 5 should only report the amounts that exceed the substantiated portion.
- “M” Uncollected Social Security or RRTA tax on cost of group-term life insurance over \$50,000 for former employees.
- “N” Uncollected Medicare tax on cost of group-term life insurance over \$50,000 for former employees.
- “P” Excludable but qualified moving expense reimbursements paid directly to employee.
- “Q” Nontaxable combat pay reported by military employers.
- “R” Employer contributions to an Archer MSA.
- “S” Employee salary reduction contributions under a section 408(p) SIMPLE.
- “T” Adoption benefits – show the total you paid or reimbursed for qualified adoption expenses given to your employee under an adoption assistance program, including those amounts in excess of the \$10,630 exclusion.
- “V” Income from the exercise of nonstatutory stock options - show spread of fair market value over exercise price of options. This amount is included in boxes 1, 3 (up to Social Security wage base) and 5.
- “W” Employer Contributions to a Health Savings Account.
- “Y” Deferrals under a section 409A nonqualified deferred compensation plan.
- “Z” Income under section 409A on a nonqualified deferred compensation plan.

a Control number 2222		Void <input type="checkbox"/>	For Official Use Only ▶ OMB No. 1545-0008			
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 Employee's social security number		9 Advance EIC payment		10 Dependent care benefits		
e Employee's first name and initial		Last name		11 Nonqualified plans		
f Employee's address and ZIP code		12a See instructions for box 12		12b		
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12c		
		14 Other		12d		
		15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax
18 State wages, tips, etc.		19 Local wages, tips, etc.		20 Local income tax		
19 Local income tax		20 Locality name				

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

2005

Department of the Treasury—Internal Revenue Service
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Form W-2 Copy A

box 13 Checkboxes - Required, if applicable -

1. Must contain an "X" in the box(es) that apply.
2. Mark all checkboxes that apply.
3. Statutory employee -
 - a) Employee has earnings that are subject to Social Security and Medicare tax withholding but is not subject to Federal income tax withholding.
 - b) See IRS Publication 15-A, Section 1, for more information on statutory employees.
4. Retirement plan -
 - a) Employee was an "active participant" during any part of the year in a qualified retirement plan.
 - b) Do not mark this checkbox for contributions made to a nonqualified or section 457(b) plan.
 - c) See IRS Publication 590, "Individual Retirement Arrangements" for additional information on the active participant rules.
5. Third-party sick pay -
 - a) Mark this checkbox only if you are a payer of third-party sick pay filing a Form W-2 for an insured's employee **OR** if you are an employer reporting sick pay payments made by a third party.
 - b) See Chapter 2: Special Consideration for additional information and resources on this subject matter.

EEEE VOID <input type="checkbox"/> OMB No. 1545-0008		
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 Employee's social security number	9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial Last name	11 Nonqualified plans	12a See instructions for box 12
	13 <input type="checkbox"/> Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay	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 2005 Department of the Treasury—Internal Revenue Service
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box 14 Other - Required, if applicable -

1. The lease value of a vehicle provided to your employee and shown in box 1 must be reported here unless you submit a separate statement to your employee.
2. The employer may also use this box to provide any additional information to his or her employees.
3. A descriptive label must accompany each amount listed.
4. Examples of items for this box are:
 - a) State disability insurance taxes withheld;
 - b) Union dues;
 - c) Uniform payments;
 - d) Health insurance premiums deducted;
 - e) Educational assistance payments;
 - f) Nontaxable income;
 - g) Member of the clergy's parsonage allowance and utilities; and
 - h) Certain contributions to a pension plan not shown in box 12.

boxes 15 through 20 State or local income tax information - Optional -

1. Not required by SSA.
2. Follow instructions issued by State and local tax authorities.
3. Enter the two letter abbreviation for the name of the State.
4. Use your state identification number as assigned by the individual State.
5. Room is provided to report two separate States and localities. If more room is required continue on a new W-2.
6. Do not combine State and local tax information, report separate as the boxes indicate

Form W-3

Purpose

Form W-3 is filed **ONLY** if paper Forms W-2 Copy A are filed. Form W-3 has two purposes:

1. It is a summary sheet and contains the summarized totals of all the W-2 Copy A information.
2. It serves as a transmittal sheet in sending the Form W-2 Copy A information to SSA.

DO NOT STAPLE OR FOLD

a Control number 33333		For Official Use Only ▶ OMB No. 1545-0006	
b Kind of Payer ▶	<input type="checkbox"/> 941	<input type="checkbox"/> Military	<input type="checkbox"/> 943
	<input type="checkbox"/> CT-1	<input type="checkbox"/> Hshid. emp.	<input type="checkbox"/> Medicare gov't. emp.
c Total number of Forms W-2		d Establishment number	
e Employer identification number (EIN)		1 Wages, tips, other compensation	2 Federal income tax withheld
f Employer's name		3 Social security wages	4 Social security tax withheld
g Employer's address and ZIP code		5 Medicare wages and tips	6 Medicare tax withheld
h Other EIN used this year		7 Social security tips	8 Allocated tips
15 State Employer's state ID number		9 Advance EIC payments	10 Dependent care benefits
		11 Nonqualified plans	12 Deferred compensation
		13 For third-party sick pay use only	
		14 Income tax withheld by payer of third-party sick pay	
		16 State wages, tips, etc.	17 State income tax
		18 Local wages, tips, etc.	19 Local income tax
Contact person		Telephone number ()	For Official Use Only
Email address		Fax number ()	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶ Title ▶ Date ▶

Form **W-3 Transmittal of Wage and Tax Statements 2005** Department of the Treasury
 Internal Revenue Service
Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.
 Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

General Instructions on W-3 Preparation

1. Generally, the same instructions for preparation of Form W-2 also apply to the preparation of Form W-3.
2. Form W-3 is a single sheet including essential filing information. Be sure to make a copy of your completed Form W-3 for your records prior to mailing.
3. Use either the IRS official Form W-3 or a privately printed substitute Form W-3.
4. SSA accepts only Forms W-3 printed on 8 ½ inch by 11 inch paper (exclusive of any snap stubs).
5. Software must not permit generating Form W-3 entries before all corresponding Forms W-2 entries are prepared.

6. The Form W-3 report which corresponds to Forms W-2 Copy A must reflect the aggregate W-2 money amounts, excluding information from any Forms W-2 Copy A marked "Void".
7. Make sure the same tax year is shown on both Forms W-3 and W-2 Copy A.
8. Use W-3 control totals to match and reconcile the annual sum of quarterly line item amounts reported on IRS Form 941, 943, CT-1 or Schedule H (Form 1040). The data on Form W-3 should balance with Forms W-2. For more information, see Chapter 1 on Balancing and Reconciling of Annual Wage Reports.
9. Ensure that a Form W-3 accompanies each "Kind of Payer" group of Forms W-2s submitted.
10. All privately-printed substitute Forms W-3 must adhere to the specifications contained in IRS Publication 1141, General Rules and Specifications for Substitute Forms W-2 and W-3.
11. Forms may be laser printed in black and white and both the data and forms must be printed in nonreflective black ink only. These forms must comply with IRS Publication 1141. They require approval from SSA as detailed in Publication 1141. The forms must **not**:
 - contain corner register marks and
 - contain shaded areas including boxes that are entirely shaded on the red-ink forms.
12. All printing of substitute Forms W-3, other than laser, must be in Flint J-6983 red OCR dropout ink or an exact match, except for the following areas, which are to be printed in nonreflective black ink:
 - the form identifying the numbers "33333" at the top;
 - the tax year at the bottom of the form using 24 point OCR-A font;
 - the four corner register marks;
 - the jurat and "Signature, Title, Date" line at the bottom;
 - the form identification "W-3" at the bottom; and
 - all the instructions below Form W-3.
13. Prior approval from SSA or IRS is not required on privately printed Red-ink substitute forms. Again, these forms must conform exactly to the requirements as stated in Publication 1141.
14. If you are uncertain about any of the specifications or criteria for the physical Forms W-2 and W-3, please send your questions to:

<p>SSA for Black and White Laser printed Forms <u>W-2 Copy A and W-3</u> Social Security Administration Data Operations Center Attn: Laser Forms Approval, Room 359 1150 E. Mountain Drive Wilkes-Barre, PA 18702-7997</p>	<p>IRS for Red-ink Forms <u>W-2 Copy A and W-3</u> Internal Revenue Service Attn: Substitute Forms Coordinator SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6516 Washington, DC 20224 (or e-mail at *tasforms@irs.gov)</p>
---	---
15. Do not print, write or enter any data in the margins of Form W-3. These areas are used for control information during SSA's processing.
16. The font used to print data on Forms W-3 should be 12-point Courier, using black ink.

17. Do **not** use script, inverted font, italics and/or dual case fonts when entering data on the forms.
18. Do **not** use inks that contain red pigment on forms that contain employer provided information.
19. Do **not** erase, whiteout, or strike over an entry.
20. Paper for privately-printed substitute forms (cut sheets and continuous pin feed forms) that are to be filed with SSA must be white 100 percent bleached chemical wood, 18-20 pound paper only, OCR bond with specific weight requirements. See IRS Publication 1141.
21. Data entries on the Forms W-3 should be machine printed whenever possible.
22. The data entered must be presented in clear, dark images to guarantee optically scannable forms and all copies must be legible.
23. Insert data within the box. Do not go outside of boxed area when entering data.
24. Make all dollar entries **without** the dollar sign and **without** the comma, but **use** the decimal point and show the cents portion of money amounts.
25. If a box does **not** apply, leave it blank.
26. The back of substitute Form W-3 must be free of all printing and left blank.

Form W-3

box a Control number - **Optional** -

1. Some employers use this box for recordkeeping purposes.
2. If you use this box, please keep data within boxed area.
3. Printed data should be centered in the box and not touch any vertical or horizontal lines.

box c Total number of Forms W-2 - **Required** -

1. Must be numeric.
2. Must contain the total number of completed individual W-2 forms being sent with the Form W-3 transmittal.
3. Do **NOT** include "Void" W-2 forms in the count.

DO NOT STAPLE OR FOLD

a Control number 33333		For Official Use Only OMB No. 1545-0008	
b Kind of Payer	<input type="checkbox"/> 941	<input type="checkbox"/> Military	<input type="checkbox"/> 943
	<input type="checkbox"/> CT-1	<input type="checkbox"/> Hshld. emp.	<input type="checkbox"/> Medical govt. emp.
c Total number of Forms W-2 1		d Establishment number	
e Employer identification number (EIN)		1 Wages, tips, other compensation	
f Employer's name		2 Federal income tax withheld	
g Employer's address and ZIP code		3 Social security wages	
h Other EIN used this year		4 Social security tax withheld	
15 State Employer's state ID number		5 Medicare wages and tips	
16 State wages, tips, etc.		6 Medicare tax withheld	
17 State income tax		7 Social security tips	
18 Local wages, tips, etc.		8 Allocated tips	
19 Local income tax		9 Advance EIC payments	
20 Contact person		10 Dependent care benefits	
21 Email address		11 Nonqualified plans	
22 Telephone number		12 Deferred compensation	
23 Fax number		13 For third-party sick pay use only	
24 For Official Use Only		14 Income tax withheld by payer of third-party sick pay	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature _____ Title _____ Date _____

box b Kind of Payer - **Required** -

1. This box is used to indicate the type of employment reported on the attached Forms W-2.
2. Most companies only have one "Kind of Payer." Check only one box unless the second box checked is "Third-party sick pay."
3. If you have more than one (except "Third-party sick pay") then you must group the Forms W-2 Copy A by each kind of payer and send with a separate Form W-3 to SSA.
4. Must contain an "X" in the box that applies and can contain only one "X" unless the second "X" is for Third-party sick pay.
5. Kind of payers - (See Chapter 2: Special Considerations for more information on "Kinds of Payers")
 - a) Agricultural - (943).
 - b) Household - (Hshld. emp.) - even with just one household employee, Forms W-2 and W-3 must be filed.
 - c) Military - (Military).
 - d) Medicare govt emp - (Medicare govt. emp.) - for employees subject only to the 1.45 percent Medicare tax-state/local agency.
 - e) Railroad (RRTA) - (CT-1).
 - f) Third-party sick pay - (Third-party sick pay) - if you are required to check box 13 on Form W-2. This is the only box that may be marked in conjunction with one of the other boxes.
 - g) 941 - (941) - the majority of employers fall within this "Kind of Payer" and have to file quarterly 941 forms.

Form W-3

box d Establishment number - Optional -
 Not required by SSA.
 1. May be used by employer to identify separate establishments within the business.
 2. Entry may be alpha and/or numeric.

DO NOT STAPLE OR FOLD

a Control number 33333		For Official Use Only ▶ OMB No. 1545-0006			
b Kind of Payer ▶	<input type="checkbox"/> 941	<input type="checkbox"/> Military	<input type="checkbox"/> 943	1 Wages, tips, other compensation	2 Federal income tax withheld
	<input type="checkbox"/> CT-1	<input type="checkbox"/> Hshld. emp.	<input type="checkbox"/> Medicare govt. emp.		
c Total number of Forms W-2		d Establishment number		5 Medicare wages and tips	6 Medicare tax withheld
e Employer identification number (EIN)				7 Social security tips	8 Allocated tips
f Employer's name				9 Advance EIC payments	10 Dependent care benefits
g Employer's address and ZIP code				11 Nonqualified plans	12 Deferred compensation
				13 For third-party sick pay use only	
h Other EIN used this year					
15 State	Employer's state ID number			16 State wages, tips, etc.	17 State income tax
Contact person				18 Local wages, tips, etc.	19 Local income tax
				Telephone number () ()	
Email address				Fax number () ()	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶ Title ▶ Date ▶

Form **W-3** Transmittal of Wage and Tax Statements **2005**

Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

box e Employer identification number - Required -

- Must be the same EIN used in Form W-2 box b for the W-2 forms being reported as well as being the same EIN used in preparing Federal Forms 940, 941, 943, CT-1 and or Schedule H (Form 1040).
- Enter the 9 digit number assigned by the IRS 00-0000000
 - Must be 10 positions.
 - Hyphen only in position 3.
 - Numerics only in positions 1, 2 and 4 through 10.
 - See Chapter 2: Special Considerations to see whether your agent's number or third-party sick pay provider EIN is used in this box.
 - See Chapter 4: Common Errors - Dos and Don'ts for numbers that cannot be used.
- If using the preprinted form sent by IRS, verify that the information is correct.
- If you applied for but have not received your EIN when filing your Form W-3, enter "Applied For" in the box. You must have completed Form SS-4, Application for an EIN.
- Do not use a prior owner's EIN

Form W-3

box f Employer's name - Required -

1. Must match the name entered in box c of the Forms W-2 being reported and match the name on Forms 940, 941, 943, CT-1 and Schedule H (Form 1040).
2. Show your full name
 - a) If an agent prepared the Form W-2, then use the agent's name.
 - b) See Chapter 2: Special Considerations regarding third-party sick pay reporting - when liability is not transferred, the third-party provider would complete the Form W-2 using his third-party name and address.
3. If using the preprinted form sent by the IRS, verify that the information is correct and make any corrections needed directly on your preprinted form.

a Control number		3333		OMB No. 1545-0006	
b Kind of Payer	<input type="checkbox"/> 941	<input type="checkbox"/> Military	<input type="checkbox"/> 943	1 Wages, tips, other compensation	2 Federal income tax withheld
	<input type="checkbox"/> CT-1	<input type="checkbox"/> Hold. emp.	<input type="checkbox"/> Medicare gov. emp.	3 Social security wages	4 Social security tax withheld
c Total number of Forms W-2		d Establishment number		5 Medicare wages and tips	6 Medicare tax withheld
e Employer identification number (EIN)			7 Social security tips	8 Allocated tips	
f Employer's name			9 Advance EIC payments	10 Dependent care benefits	
			11 Nonqualified plans	12 Deferred compensation	
			13 For third-party sick pay use only		
g Employer's address and ZIP code			14 Income tax withheld by payer of third-party sick pay		
h Other EIN used this year					
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	
Contact person			Telephone number	For Official Use Only	
Email address			Fax number		

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature Title Date

Form **W-3 Transmittal of Wage and Tax Statements 2005** Department of the Treasury Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

box g Employer's address and ZIP code - Required -

1. Must be the same address and ZIP code entered in box c of the Forms W-2 being reported and the same as the address on Forms 940, 941, 943, CT-1 or Schedule H (Form 1040).
 - a) If an agent prepared the Form W-2, then use the agent's name (box f) and agent's address in this box.
 - b) See Chapter 2: Special Considerations regarding third-party sick pay reporting - when liability is not transferred, the third-party provider would complete the W-2 using his third-party name and address.
2. If using the preprinted form sent by IRS, verify that the information is correct and make any corrections needed directly on your preprinted form.

box h Other EIN used this year - Required, if applicable -

1. Cannot match the EIN in box e.
2. Required entry if, during the year, you used an EIN (including a prior owner's EIN) on Form 941, 943, or CT-1 that is different from the EIN in box e above.
3. Entry should be shown as 10 positions
 - a) Hyphen only in position 3.
 - b) Numeric only in positions 1, 2 and 4 through 10.
4. See Chapter 2: Special Considerations - if an agent prepared the Forms W-2 for only one employer (other than itself), enter employer's EIN in this box; otherwise, leave this box blank.

Form W-3

DO NOT STAPLE OR FOLD

a Control number 33333		For Official Use Only ▶ OMB No. 1545-0008	
b Kind of Payer ▶	<input type="checkbox"/> 941	<input type="checkbox"/> Military	<input type="checkbox"/> 943
	<input type="checkbox"/> CT-1	<input type="checkbox"/> Hshd. emp.	<input type="checkbox"/> Medicare govt. emp.
		<input type="checkbox"/> Third-party sick pay	
c Total number of Forms W-2		d Establishment number	
e Employer identification number (EIN)		1 Wages, tips, other compensation	2 Federal income tax withheld
f Employer's name		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
g Employer's address and ZIP code		9 Advance EIC payments	10 Dependent care benefits
h Other EIN used this year		11 Nonqualified plans	12 Deferred compensation
		13 For third-party sick pay use only	
		14 Income tax withheld by payer of third-party sick pay	
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
Contact person		Telephone number ()	For Official Use Only
Email address		Fax number ()	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶ Title ▶ Date ▶

Form **W-3 Transmittal of Wage and Tax Statements** **2005**

Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Complete the following Form W-3 boxes based on the W-2 Statements.

- Do not include in total any amounts from "Void" W-2 forms.
- The totals in each W-3 box must equal the total combined entries of the W-2 forms.

- box 1** Wages, tips, other compensation - **Required** - Must equal the total combined entries in box 1 of the W-2 forms.
- box 2** Federal income tax withheld - **Required** - Must equal the total combined entries in box 2 of the W-2 forms.
- box 3** Social security wages - **Required, if applicable** - Must equal the total combined entries in box 3 of the W-2 forms. Cannot include an entry when "Kind of Payer" (box b) is Railroad (CT-1) or Medicare Govt. Emp.
- box 4** Social security tax withheld - **Required, if applicable** - Must equal the total combined entries in box 4 of the W-2 forms. Cannot include an entry when "Kind of Payer" (box b) is Railroad (CT-1) or Medicare Govt. Emp. Must contain an entry if box 3 contains an entry.
- box 5** Medicare wages and tips - **Required, if applicable** - Must equal the total combined entries in box 5 of the Forms W-2. Cannot include an entry when "Kind of Payer" (box b) is Railroad (CT-1).
- box 6** Medicare tax withheld - **Required, if applicable** - Must equal the total combined entries in box 6 of the W-2 forms. Cannot include an entry when "Kind of Payer" (box b) is Railroad (CT-1). Must contain an entry if box 5 contains an entry.
- box 7** Social security tips - **Required, if applicable** - Must equal the total combined entries of box 7 of the W-2 forms. Cannot include an entry when "Kind of Payer" (box b) is Railroad (CT-1) or Medicare Govt. Emp.
- box 8** Allocated tips - **Required, if applicable** - Must equal the total combined entries in box 8 of the W-2 forms.
- box 9** Advance EIC payments - **Required, if applicable** - Must equal the total combined entries in box 9 of the W-2 forms.
- box 10** Dependent care benefits - **Required, if applicable** - Must equal the total combined entries in box 10 of the Forms W-2.
- box 11** Nonqualified plans - **Required, if applicable** - Must equal the total combined entries of box 11 of the W-2 forms.

Form W-3

box 13 For third-party sick pay use only - Required, if applicable -

1. 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 this box.
2. See Chapter 2: Special Considerations for more information.
3. Employers using the optional rule for Form W-2 would complete this box.

box 12 Deferred compensation - Required, if applicable -

1. Must enter one total of all amounts reported with Codes D-H, S and Y in box 12 on Forms W-2.
2. Do not enter a code.
3. Do not include amounts for Codes A- C, J-R, and T-W and Z in the total.

DO NOT STAPLE OR FOLD

a Control number 33333		For Official Use Only ▶ OMB No. 1545-0045	
b Kind of Payer 941 <input type="checkbox"/> Military CT-1 <input type="checkbox"/> Third-party sick pay	943 <input type="checkbox"/> Hahid. emp.	943 <input type="checkbox"/> Medicare govt. emp.	1 Wages, tips, other compensation
			2 Federal income tax withheld
c Total number of Forms W-2	d Establishment number		3 Social security wages
e Employer identification number (EIN)		4 Social security tax withheld	
f Employer's name		5 Medicare wages and tips	6 Medicare tax withheld
g Employer's address and ZIP code		7 Social security tips	8 Allocated tips
h Other EIN used this year		9 Advance EIC payments	10 Dependent care benefits
15 State Employer's state ID number		11 Nonqualified plans	12 Deferred compensation
		13 For third-party sick pay use only	
		14 Income tax withheld by payer of third-party sick pay	
		16 State wages, tips, etc.	17 State income tax
		18 Local wages, tips, etc.	19 Local income tax
Contact person		Telephone number () ()	For Official Use Only
Email address		Fax number () ()	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶ _____ Title ▶ _____ Date ▶ _____

Form **W-3 Transmittal of Wage and Tax Statements** **2005** Department of the Treasury Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Contact person, telephone number, fax number and e-mail address - Optional -

- Please complete this information.
- SSA may contact you if questions arise during processing of your W-2 and W-3 information.

boxes 15-19 State tax information - Optional -

- Not required by SSA.
- Follow instructions issued by State and local tax authorities.

Signature, Title and Date - Mandatory -

- Prior to submitting Form W-3 to SSA, ensure that the Form W-3 is properly signed including your title and the date.
- See Chapter 1 for more information on who should sign Form W-3.

box 14 Income tax withheld by payer of third-party sick pay - Required if applicable -

1. Must be completed if you have employees who had income tax withheld on third-party payments of sick pay.
2. This tax must be shown separately here even though it is also included in box 2.

Chapter 4: Common Errors - DOs and DON'Ts

Section Overall

Common errors made:

- Omitting an SSN or using an invalid SSN.
- Omitting an EIN or using an invalid EIN.
- Omitting an employee's name or using an employee's name that does not agree with the name on the employee's Social Security card.
- Not formatting the employee's name correctly in box e of the Form W-2. (Enter the employee's first name and middle initial in the first box and his or her last name in the second box.)
- Not submitting wage reports to SSA when terminating a business.
- Treating employees as independent contractors and not filing the correct form (W-2) to report their earnings to SSA.
- Not filing a Form W-2 on wages for household workers.
- Not issuing Forms W-2 for wages under \$600 when income, Social Security or Medicare taxes were withheld.
- Filing a Form W-2 when you should have filed a Form W-2c to correct previously reported wage information.
- Submitting Forms W-2 without the transmittal W-3 form.
- Submitting Forms W-2 and/or W-3 with incorrect tax year.
- Using Forms W-2 or W-3 that are not standard and not in compliance with prevailing rules and regulations.
- Preparing Forms W-2 and/or W-3 that are not machine readable/scannable by our imaging equipment.
- Mailing the Forms W-2 Copy A and W-3 to the incorrect Government agency (Forms W-2 copy A and W-3 are remitted to SSA).
- Creating out-of-balance conditions between the Form W-2 amounts and either the Form W-3 summary totals or the sum of the four quarterly Form 941 reports, Annual Form 943, Form CT-1 or Schedule H (Form 1040).
- Inappropriately marking the "Retirement plan" checkbox in box 13 of Form W-2 Copy A.

Section**Common errors made:****Data Entry**

- Using ink that is too light for data entries (must use very dark nonreflective black ink). Do not use inks that contain red pigment on forms that contain employer provided information.
- Not using the correct size of print (font used to print data on the forms should be 12-point Courier).

Data Entry (cont.)**Common errors made:**

- Using script, inverted font, italics and/or dual case fonts when preparing the forms.
- Letting entries cross one or more of the vertical or horizontal lines that separate the boxes.
- Striking over an entry, erasing entries, using whiteout.

Section**Common errors made:****Boxes that Contain Amounts**

- Using dollar signs or commas in amount boxes (no “\$” or “,” are to be used in amount fields).
- **Not** using decimal points (decimal point must be shown even when the entry is even dollars).
- Showing negative amounts (no entry may be a negative amount).
- Putting zeros in a box to indicate no dollar amount (when the amount is zero, leave the box blank).
- Not showing the cents portion of money amounts.

Section**Common errors made:****Employer Identification Number (EIN)**

- Using an incorrect EIN and/or not using the correct format for EIN, which is 10 positions, all numerics and one hyphen in position 3. Format should be 00-0000000.
- Using invalid numbers as part of the EIN. The first 2 left most positions cannot be 00, 07, 08, 09, 17, 18, 19, 28, 29, 49, 69, 70, 78, 79 or 89.

- Using an invalid EIN. The EIN cannot be 12-3456789 as this number has not been assigned.
- Using a prior owner's EIN.

Section **Common errors made:**
Employee Social Security Number (SSN)

- Using an incorrect SSN and/or not using the correct format for SSN, which is 11 positions, all numerics and 2 hyphens in positions 4 and 7. Format should be 000-00-0000.
- Using invalid numbers as part of the SSN. The first 3 positions cannot be 000, 666, 734 through 749, or 773 through 999.

Employee SSN (cont.) **Common errors made:**

Positions 5 through 6 cannot be 00 and positions 8 through 11 cannot be 0000. For more information on SSNs issued and the most recent numbers allocated, go to <http://www.socialsecurity.gov/foia/ssnweb.html>.

- Using invalid SSNs. The SSN cannot be 111-11-1111, 333-33-3333 or 123-45-6789.
- Using an ITIN. The IRS will issue an ITIN to a nonresident or resident alien, if they do not have and are not eligible for an SSN. This is a 9-digit number, formatted like an SSN **BUT** the ITIN begins with the number "9" with either a "7" or "8" as the fourth digit and is **NOT** an SSN.

Section **Common errors made:**
Employee Name

- DO:** Display the name correctly. See examples below.
- DO:** Match the name on the W-2 to the name shown on the employee's Social Security card.
- DO:** Enter the employee's first name and middle initial in the first box and his or her last name in the second box.
- DO:** Separate compound surnames with either a hyphen or a blank space.
- DO:** Connect single letter prefixes, i.e., "O" or "D" with the rest of the surname or join with an apostrophe.
- DON'T:** Include titles in prefixes such as Doctor, Dr., RN, Captain, Mr., Mrs., etc.
- DON'T:** Include titles or academic degrees in suffixes such as Senior, Junior, II, III, MD, Ph.D., CPA, etc.

The following are examples of how to properly display names on the Form W-2. The first column "Name" is an example of a name. The second and third columns show how the name should be correctly entered on the W-2 form.

Name	W-2 (first half of box e) First name, middle initial	W-2 (second half of box e) Last name
Susan B. Smith Johnson	Susan B	Smith-Johnson or Smith Johnson
Anthony D'Angelo (no middle name)	Anthony	D'Angelo or DAngelo
Grace H. O'Malley	Grace H	O'Malley or OMalley
Maria Mercedes Sancho Davila	Maria M	Sancho-Davila or Sancho Davila

Section

Employee Name

Name	W-2 (first half of box e) First name, middle initial	W-2 (second half of box e) Last name
Maria Rodriguez de Perez (no middle name)	Maria	Rodriguez-de-Perez or Rodriguez de Perez
Maria Elena Rodriguez-de-Perez	Maria E	Rodriguez-de-Perez or Rodriguez de Perez
Diego Garcia-y-Vega (no middle name)	Diego	Garcia-y-Vega or Garcia y Vega
Jose Ramon Lopez Gonzales	Jose R	Lopez-Gonzales or Lopez Gonzales
Ivan Ramirez Arellano (no middle name)	Ivan	Ramirez-Arellano or Ramirez Arellano
Catherine L. Smith Le May	Catherine L	Smith-Le-May or Smith Le May
Majed S. El Alami	Majed S	El-Alami or El Alami
Jason Walks Over Ice (no middle name)	Jason	Walks Over Ice or Walks-Over-Ice
Michael Bull Shows (no middle name)	Michael	Bull Shows or Bull-Shows
Alexann Yellowtail	Alexann	Yellowtail

John Tuan Van Tran	John T	Tran
Xiao Jaun Liu	Xaio J	Liu
Mei Fang Chiang-Hsiao	Mei F	Chiang-Hsaio or Chiang Hsaio
Ming Ou-Young	Ming	Ou-Young or Ou Young
Mary Yao Ching Chao-Chiu	Mary Y	Chao-Chiu or Chao Chiu
Nam Van Tram	Nam V	Tram
Mai Thi Nguyen	Mai T	Nguyen
Mi Jan Kim	Mi J	Kim

Chapter 5: Reporting Examples for Preparing Paper Forms W-2, W-3 and 941

Introduction

This chapter provides examples of proper/improper paper reporting. We included examples of correctly and incorrectly prepared reports. The incorrect reports contain errors that could have been prevented if the software used to prepare them complied with the specifications and edits. Documents covered include:

- Form W-2, Wage and Tax Statement;
- Form W-3, Transmittal of Wage and Tax Statements; and
- Form 941, Employer's Quarterly Federal Tax Return (first page only).

Inquiries

Please contact your regional ESLO, as listed in Appendix B, if you have questions about the example and information in this chapter. If you have tax questions or questions on tax law and regulations (including Form 941), call the IRS Information Reporting Customer Service Site at 1-866-455-7438 (Toll Free). If you have suggestions for improving this chapter, write to the address on page 18.

What is the Social Security and Medicare Tax Amount?

You must compute employee withholding and employer matching contributions separately for Social Security and Medicare. The following table shows the Social Security and Medicare tax rates and wage bases for TY 2005.

**Social Security and Medicare
Table of Tax Rates and Wage Bases
TY 2005**

<u>Federal Program</u>	<u>Taxable Earnings</u>	<u>Employee Withholding</u>	<u>Employer's Matching Contribution</u>	<u>Combined FICA Rate</u>
Social Security	\$ 90,000	6.20%		12.40%
Medicare	All*	<u>1.45%</u>	6.20%	<u>02.90%</u>
Total FICA Rate		7.65%	<u>1.45%</u> 7.65%	15.30%

* *There is no limit on the amount of wages and tips that are subject to Medicare tax.*

Wiremasters Company Case Scenario Special Reporting Situations

This case provides examples of proper paper reporting to help employers understand and comply with SSA/IRS guidelines and illustrates general guidelines for private employers filing paper Forms W-2, W-3 and 941. Included are examples which reflect special reporting situations such as: 1) deferred compensation; 2) advance EIC; 3) tax shelter contributions to 401(k) plans; 4) fringe benefits; and 5) allocated tips. Specific filing instructions are available in the instructions for filing Forms W-2, W-3, and 941 as well as IRS Publication 15 (Circular E), Employers Tax Guide, and IRS Publication 15-A, Employer's Supplemental Tax Guide. IRS forms and publications are available at www.irs.gov or by calling 1-800-829-3676.

This section contains four quarterly (and one annual "mock-up") IRS Forms 941, one Form W-3, and five Forms W-2 from the Wiremasters Company. This information illustrates how:

- Wiremasters reported its quarterly payroll and tax deposit data to IRS;
- The annual sum of Wiremasters' quarterly Form 941 data should agree with its W-3 data for the same calendar year; and
- Wiremasters' W-3 data agrees with employees' W-2 data.

Case Scenario

The following case scenario illustrates how Wiremasters Company, a private employer, reports its wage and tax deposit data on the Forms W-2, W-3 and 941. In the examples which follow, Wiremasters employed five individuals who have been affected by at least one of the special reporting situations (defined above). The scenario consists of: Payroll Register Data Tables; Employer Wage and Tax Deposit Data (Forms 941), and Employee Wage and Tax Statements (Forms W-3 and W-2).

Wiremasters annual Form 941 mock-up (page 65) is used to show how you could use a Form 941 or other work sheet to check the accuracy of your reporting for the year. This form balances to (1) the sum of the four quarterly Forms 941 (pages 66 through 69), (2) the Form W-3 Wiremasters submitted to SSA (page 70) and (3) the five Forms W-2 Wiremasters issued (pages 71 through 75).



CAUTION: The SSNs and EINs in the examples are intentionally invalid. Please refer to Chapter 4: Common Error's - Dos and Don'ts, for the current list of invalid numbers.

Exhibits: Payroll Register Data Tables

The following exhibits are data tables of information from Wiremasters' payroll register. This information provides the base data for the case scenario. Wiremasters employs individuals who earn wages and tips subject to the 6.2 percent Social Security tax and 1.45 percent Medicare tax (full-FICA employees).

Wiremasters' EIN is 00-0198765. The information in the exhibit below contains summary employee information from Wiremasters' payroll register.

**Summary Employee Information
Wiremasters**

<u>Name (first, middle, last)</u>	<u>Name as shown on Social Security Card</u>	<u>SSN</u>
Edward Eric McNamara	Edward E. McNamara	000-67-4589
Sandra Spencer	Sandra Spencer	000-78-5690
Randolph Marano	Randolph Marano	000-89-6701
Junghee Kim	Junghee Kim	000-01-8923
Dominique Dana Johnson	Dominique D. Johnson	000-50-3210

**FIRST QUARTER EMPLOYEE PAYROLL DATA
WIREMASTERS COMPANY PAYROLL REGISTER**

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 000-67-4589	FICA Active	19,225.00					19,225.00	3,845.00	19,225.00	1,191.95	19,225.00	278.76
Sandra Spencer 000-78-5690	FICA Active	11,250.00	1,125.00			1250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.56
Randolph Marano 000-89-6701	FICA Active	3,055.00		399.25			3,055.00	611.00	3,055.00	189.41	3,055.00	44.30
Junghee Kim 000-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Dominique D. Johnson 000-50-3210	FICA Active	17,500.00			168.00	1750.00	17,668.00	3,533.60	19418.00	1203.92	19418.00	281.56
First Quarter Total		64,030.00	1,125.00	399.25	168.00	3,000.00	65,323.00	13,064.60	68,323.00	4,236.03	68,323.00	990.68

**SECOND QUARTER EMPLOYEE PAYROLL DATA
WIREMASTERS COMPANY PAYROLL REGISTER**

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 000-67-4589	FICA Active	19,225.00					19,225.00	3,845.00	19,225.00	1,191.95	19,225.00	278.76
Sandra Spencer 000-78-5690	FICA Active	11,250.00	1,125.00			1,250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.56
Randolph Marano 000-89-6701	FICA Active	3,055.00		399.25			3,055.00	611.00	3,055.00	189.41	3,055.00	44.30
Junghee Kim 000-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Dominique D. Johnson 000-50-3210	FICA Active	17,500.00			168.00	1,750.00	17,668.00	3,533.60	19418.00	1,203.92	19418.00	281.56
Second Quarter Total		64,030.00	1,125.00	399.25	168.00	3,000.00	65,323.00	13,064.60	68,323.00	4,236.03	68,323.00	990.68

*Sandra Spencer - \$5,000/4 = \$1,250 quarterly 401(k) contributions.

*Randolph Marano - \$1,597/4 = \$399.25 quarterly advance EIC.

*Dominique D. Johnson - \$7,000/4 = \$1,750 quarterly 401(k) contributions; \$522/4 = \$130.50 quarterly GTLI amounts; and \$150/4 = \$37.50 quarterly fringe benefit amounts.

THIRD QUARTER EMPLOYEE PAYROLL DATA
WIREMASTERS COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un-allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 000-67-4589	FICA Active	19,225.00					19,225.00	3,845.00	19,225.00	1,191.95	19,225.00	278.76
Sandra Spencer 000-78-5690	FICA Active	11,250.00	1,125.00			1,250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.56
Randolph Marano 000-89-6701	FICA Active	3,055.00		399.25			3,055.00	611.00	3,055.00	189.41	3,055.00	44.30
Junghee Kim 000-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Dominique D. Johnson 000-50-3210	FICA Active	17,500.00			168.00	1,750.00	17,668.00	3,533.60	19,418.00	1,203.91	19,418.00	281.56
Third Quarter Total		64,030.00	1,125.00	399.25	168.00	3,000.00	65,323.00	13,064.60	68,323.00	4,236.02	68,323.00	990.68

FOURTH QUARTER EMPLOYEE PAYROLL DATA
WIREMASTERS COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un-allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 000-67-4589	FICA Active	19,225.00		3,100.00			19,225.00	3,845.00	22,325.00	1,384.15	22,325.00	323.71
Sandra Spencer 000-78-5690	FICA Active	11,250.00	1,125.00			1,250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.57
Randolph Marano 000-89-6701	FICA Active	3,055.00		399.25			3,055.00	611.00	3,055.00	189.41	3,055.00	44.29
Junghee Kim 000-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Dominique D. Johnson 000-50-3210	FICA Active	17,500.00			168.00	1,750.00	17,668.00	3,533.60	19,418.00	1,203.91	19,418.00	281.56
Fourth Quarter Total		64,030.00	1,125.00	3,499.25	168.00	3,000.00	65,323.00	13,064.60	71,423.00	4,428.22	71,423.00	1,035.64

*Sandra Spencer - \$5,000/4 = \$1,250 quarterly 401(k) contributions.

*Randolph Marano - \$1,597/4 = \$399.25 quarterly advance EIC.

*Dominique D. Johnson - \$7,000/4 = \$1,750 quarterly 401(k) contributions, \$522/4 = \$130.50 quarterly GTLI amounts and \$150/4 = \$37.50 quarterly fringe benefit amounts.

*Edward E. McNamara- \$3,100 = Paid \$3,100 in accrued wages in same year employee died. Included in Social Security and Medicare wages but not Federal Taxable wages (box 1).

**PAYROLL REGISTER ANNUAL SUMMARY
WIREMASTERS COMPANY PAYROLL REGISTER**

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 000-67-4589	FICA Active-Deceased	76,900.00	0.00	3,100.00	0.00	0.00	76,900.00	15,380.00	80,000.00	4,960.00	80,000.00	1,160.00
Sandra Spencer 000-78-5690	FICA Active	45,000.00	4,500.00	0.00	0.00	5,000.00	49,500.00	9,900.00	54,500.00	3,379.00	54,500.00	790.25
Randolph Marano 000-89-6701	FICA Active	12,220.00	0.00	1,597.00 Advance EIC	0.00	0.00	12,220.00	2,444.00	12,220.00	757.64	12,220.00	177.19
Junghee Kim 000-01-8923	FICA Active	52,000.00	0.00	0.00	0.00	0.00	52,000.00	10,400.00	52,000.00	3,224.00	52,000.00	754.00
Dominique D. Johnson 000-50-3210	FICA Active	70,000.00	0.00	0.00	672.00	7,000.00	70,672.00	14,134.40	77,672.00	4,815.66	77,672.00	1,126.24
Annual Grand Total		256,120.00	4,500.00	4,697.00	672.00	12,000.00	261,292.00	52,258.40	276,392.00	17,136.30	276,392.00	4,007.68

*Edward E. McNamara - \$3,100 represents payment of accrued wages after death but paid in the same year as death.

*Sandra Spencer - \$5,000 contributed to a 401(k) plan; unallocated and allocated tips also reported.

*Randolph Marano - Part-time worker who received advance EIC of \$1,597.

*Dominique D. Johnson - \$7,000 contributed to her SIMPLE 401(k) plan, reported excess GTLI of \$522 and fringe benefits of \$150.

Annual Mock-up, Form 941

Form 941 for 2005: (Rev. January 2005)

Employer's Quarterly Federal Tax Return Department of the Treasury Internal Revenue Service

Employer identification number 00-0198765, Name (not your trade name) WIREMASTERS COMPANY, Trade name (if any), Address 123 SMALL BUSINESS WAY, Number Street Suite or room number, BALTIMORE MD 21201, City State ZIP code

Report for this Quarter ... 1: January, February, March, 2: April, May, June, 3: July, August, September, 4: October, November, December

Read the separate instructions before you fill out this form. Please type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), Dec. 12 (Quarter 4) 5
2 Wages, tips, and other compensation 261292 00
3 Total income tax withheld from wages, tips, and other compensation 52258 40
4 If no wages, tips, and other compensation are subject to social security or Medicare tax
5 Taxable social security and Medicare wages and tips:
Column 1 Column 2
5a Taxable social security wages 271892 00 x .124 = 33714 61
5b Taxable social security tips 4500 00 x .124 = 558 00
5c Taxable Medicare wages & tips 276392 00 x .029 = 8015 37
5d Total social security and Medicare taxes (Column 2, lines 5a + 5b + 5c = line 5d) 42287 98
6 Total taxes before adjustments (lines 3 + 5d = line 6) 94546 38
7 Tax adjustments (if your answer is a negative number, write it in brackets.):
7a Current quarter's fractions of cents
7b Current quarter's sick pay
7c Current quarter's adjustments for tips and group-term life insurance
7d Current year's income tax withholding (Attach Form 941c)
7e Prior quarter's social security and Medicare taxes (Attach Form 941c)
7f Special additions to federal income tax (reserved use)
7g Special additions to social security and Medicare (reserved use)
7h Total adjustments (Combine all amounts: lines 7a through 7g)
8 Total taxes after adjustments (Combine lines 6 and 7h) 94546 38
9 Advance earned income credit (EIC) payments made to employees 1597 00
10 Total taxes after adjustment for advance EIC (lines 8 - 9 = line 10) 92949 38
11 Total deposits for this quarter, including overpayment applied from a prior quarter
12 Balance due (lines 10 - 11 = line 12) Make checks payable to the United States Treasury
13 Overpayment (If line 11 is more than line 10, write the difference here.)

Check one Apply to next return. Send a refund. Next >

Form **941 for 2005:**
(Rev. January 2005)

Employer's Quarterly Federal Tax Return
Department of the Treasury Internal Revenue Service

Employer identification number -

Name (not your trade name)

Trade name (if any)

Address
Number Street Suite or room number

City State ZIP code

Report for this Quarter ...

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Read the separate instructions before you fill out this form. Please type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), Dec. 12 (Quarter 4)

2 Wages, tips, and other compensation

3 Total income tax withheld from wages, tips, and other compensation

4 If no wages, tips, and other compensation are subject to social security or Medicare tax Check and go to line 6.

5 Taxable social security and Medicare wages and tips:

	Column 1		Column 2
5a Taxable social security wages	<input type="text" value="67198 00"/>	x .124 =	<input type="text" value="8332 55"/>
5b Taxable social security tips	<input type="text" value="1125 00"/>	x .124 =	<input type="text" value="139 50"/>
5c Taxable Medicare wages & tips	<input type="text" value="68323 00"/>	x .029 =	<input type="text" value="1981 37"/>
5d Total social security and Medicare taxes (Column 2, lines 5a + 5b + 5c = line 5d)			<input type="text" value="10453 42"/>

6 Total taxes before adjustments (lines 3 + 5d = line 6)

7 Tax adjustments (if your answer is a negative number, write it in brackets.):

7a Current quarter's fractions of cents

7b Current quarter's sick pay

7c Current quarter's adjustments for tips and group-term life insurance

7d Current year's income tax withholding (Attach Form 941c)

7e Prior quarter's social security and Medicare taxes (Attach Form 941c)

7f Special additions to federal income tax (reserved use)

7g Special additions to social security and Medicare (reserved use)

7h Total adjustments (Combine all amounts: lines 7a through 7g)

8 Total taxes after adjustments (Combine lines 6 and 7h)

9 Advance earned income credit (EIC) payments made to employees

10 Total taxes after adjustment for advance EIC (lines 8 - 9 = line 10)

11 Total deposits for this quarter, including overpayment applied from a prior quarter

12 Balance due (lines 10 - 11 = line 12) Make checks payable to the United States Treasury

13 Overpayment (If line 11 is more than line 10, write the difference here.)

Check one Apply to next return
 Send a refund.
Next >

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher.

Cat. No. 17001z

Form 941 (Rev. 1-2005)

Form **941 for 2005:**
(Rev. January 2005)

Employer's Quarterly Federal Tax Return
Department of the Treasury Internal Revenue Service

Employer identification number -

Name (not your trade name)

Trade name (if any)

Address
Number Street Suite or room number

City State ZIP code

Report for this Quarter ...

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Read the separate instructions before you fill out this form. Please type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), Dec. 12 (Quarter 4)

2 Wages, tips, and other compensation

3 Total income tax withheld from wages, tips, and other compensation

4 If no wages, tips, and other compensation are subject to social security or Medicare tax Check and go to line 6.

5 Taxable social security and Medicare wages and tips:

	Column 1		Column 2
5a Taxable social security wages	<input type="text" value="67198 00"/>	x .124 =	<input type="text" value="8332 55"/>
5b Taxable social security tips	<input type="text" value="1125 00"/>	x .124 =	<input type="text" value="139 50"/>
5c Taxable Medicare wages & tips	<input type="text" value="68323 00"/>	x .029 =	<input type="text" value="1981 37"/>
5d Total social security and Medicare taxes (Column 2, lines 5a + 5b + 5c = line 5d)			<input type="text" value="10453 42"/>

6 Total taxes before adjustments (lines 3 + 5d = line 6)

7 Tax adjustments (if your answer is a negative number, write it in brackets.):

7a Current quarter's fractions of cents

7b Current quarter's sick pay

7c Current quarter's adjustments for tips and group-term life insurance

7d Current year's income tax withholding (Attach Form 941c)

7e Prior quarter's social security and Medicare taxes (Attach Form 941c)

7f Special additions to federal income tax (reserved use)

7g Special additions to social security and Medicare (reserved use)

7h Total adjustments (Combine all amounts: lines 7a through 7g)

8 Total taxes after adjustments (Combine lines 6 and 7h)

9 Advance earned income credit (EIC) payments made to employees

10 Total taxes after adjustment for advance EIC (lines 8 - 9 = line 10)

11 Total deposits for this quarter, including overpayment applied from a prior quarter

12 Balance due (lines 10 - 11 = line 12) Make checks payable to the United States Treasury

13 Overpayment (If line 11 is more than line 10, write the difference here.)

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 Send a refund.
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Cat. No. 17001z

Form 941 (Rev. 1-2005)

Form **941 for 2005:**
(Rev. January 2005)

Employer's Quarterly Federal Tax Return
Department of the Treasury Internal Revenue Service

Employer identification number -

Name (not your trade name)

Trade name (if any)

Address
Number Street Suite or room number

City State ZIP code

Report for this Quarter ...

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Read the separate instructions before you fill out this form. Please type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), Dec. 12 (Quarter 4)

2 Wages, tips, and other compensation

3 Total income tax withheld from wages, tips, and other compensation

4 If no wages, tips, and other compensation are subject to social security or Medicare tax Check and go to line 6.

5 Taxable social security and Medicare wages and tips:

	Column 1		Column 2
5a Taxable social security wages	<input type="text" value="67198 00"/>	x .124 =	<input type="text" value="8332 55"/>
5b Taxable social security tips	<input type="text" value="1125 00"/>	x .124 =	<input type="text" value="139 50"/>
5c Taxable Medicare wages & tips	<input type="text" value="68323 00"/>	x .029 =	<input type="text" value="1981 37"/>
5d Total social security and Medicare taxes (Column 2, lines 5a + 5b + 5c = line 5d)			<input type="text" value="10453 42"/>

6 Total taxes before adjustments (lines 3 + 5d = line 6)

7 Tax adjustments (if your answer is a negative number, write it in brackets.):

7a Current quarter's fractions of cents

7b Current quarter's sick pay

7c Current quarter's adjustments for tips and group-term life insurance

7d Current year's income tax withholding (Attach Form 941c)

7e Prior quarter's social security and Medicare taxes (Attach Form 941c)

7f Special additions to federal income tax (reserved use)

7g Special additions to social security and Medicare (reserved use)

7h Total adjustments (Combine all amounts: lines 7a through 7g)

8 Total taxes after adjustments (Combine lines 6 and 7h)

9 Advance earned income credit (EIC) payments made to employees

10 Total taxes after adjustment for advance EIC (lines 8 - 9 = line 10)

11 Total deposits for this quarter, including overpayment applied from a prior quarter

12 Balance due (lines 10 - 11 = line 12) Make checks payable to the United States Treasury

13 Overpayment (If line 11 is more than line 10, write the difference here.)

Check one Apply to next return
 Send a refund.
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For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher.

Cat. No. 17001z

Form 941 (Rev. 1-2005)

Form **941 for 2005:**
(Rev. January 2005)

Employer's Quarterly Federal Tax Return
Department of the Treasury Internal Revenue Service

Employer identification number

Name (not your trade name)

Trade name (if any)

Address
Number Street Suite or room number

City State ZIP code

Report for this Quarter ...

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Read the separate instructions before you fill out this form. Please type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), Dec. 12 (Quarter 4)

2 Wages, tips, and other compensation

3 Total income tax withheld from wages, tips, and other compensation

4 If no wages, tips, and other compensation are subject to social security or Medicare tax Check and go to line 6.

5 Taxable social security and Medicare wages and tips:

	Column 1		Column 2
5a Taxable social security wages	<input type="text" value="70298.00"/>	x .124 =	<input type="text" value="8716.95"/>
5b Taxable social security tips	<input type="text" value="1125.00"/>	x .124 =	<input type="text" value="139.50"/>
5c Taxable Medicare wages & tips	<input type="text" value="71423.00"/>	x .029 =	<input type="text" value="2071.27"/>
5d Total social security and Medicare taxes (Column 2, lines 5a + 5b + 5c = line 5d)			<input type="text" value="10927.72"/>

6 Total taxes before adjustments (lines 3 + 5d = line 6)

7 Tax adjustments (if your answer is a negative number, write it in brackets.):

7a Current quarter's fractions of cents

7b Current quarter's sick pay

7c Current quarter's adjustments for tips and group-term life insurance

7d Current year's income tax withholding (Attach Form 941c)

7e Prior quarter's social security and Medicare taxes (Attach Form 941c)

7f Special additions to federal income tax (reserved use)

7g Special additions to social security and Medicare (reserved use)

7h Total adjustments (Combine all amounts: lines 7a through 7g)

8 Total taxes after adjustments (Combine lines 6 and 7h)

9 Advance earned income credit (EIC) payments made to employees

10 Total taxes after adjustment for advance EIC (lines 8 - 9 = line 10)

11 Total deposits for this quarter, including overpayment applied from a prior quarter

12 Balance due (lines 10 - 11 = line 12) Make checks payable to the United States Treasury

13 Overpayment (If line 11 is more than line 10, write the difference here.)

Check one Apply to next return
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For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher.

Cat. No. 17001z

Form 941 (Rev. 1-2005)

FORM W-3 for FORMS W-2, WIREMASTERS COMPANY

a Control number		33333		For Official Use Only OMB No. 1545-0008		
b Kind of Payer	941 <input checked="" type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>	1 Wages, tips, other compensation	2 Federal income tax withheld	
	CT-1 <input type="checkbox"/>	Hshld emp <input type="checkbox"/>	Medicare govt. emp. <input type="checkbox"/>	Third-party sick pay <input type="checkbox"/>		
				261292.00	52258.40	
				3 Social security wages	4 Social security tax withheld	
				271892.00	17136.30	
c Total number of forms W-2		d Establishment number		5 Medicare wages and tips	6 Medicare tax withheld	
5				276392.00	4007.68	
e Employer identification number				7 Social security tips	8 Allocated tips	
00-0198765				4500.00	3000.00	
f Employer's name				9 Advance EIC payments	10 Dependent care benefits	
WIREMASTERS COMPANY				1597.00		
123 SMALL BUSINESS WAY BALTIMORE, MD 21201				11 Nonqualified plans	12 Deferred compensation	
				13 For Third-party sick pay use only		12000.00
				14 Income tax withheld by payer of Third-party sick pay		
g employer's address and ZIP code						
h Other EIN used this year						
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	
Contact person				Telephone number	For Official Use Only	
John Newton				(555) 111-2222		
E-mail address				Fax number		
				(555) 111-2223		

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature _____ Title _____ Date _____

Form **W-3** Transmittal of Wage and Tax Statements

2005 Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Edward Eric McNamara was a full-FICA employee before his untimely death on November 15, 2005. Edward received \$76,900 in wages before his death. He was also owed \$3,100 in accrued wages after death. Wiremasters paid Mr. McNamara's estate the accrued wages on November 30, 2005. Since the payment was in the same year the employee died, the amount is reported as wages in boxes 3 and 5 with the appropriate amount of Social Security and Medicare taxes withheld in boxes 4 and 6. The payment after death is **not** reported in box 1. NOTE: The after-death payment (\$3100) made to Mr. McNamara's estate or beneficiary must be reported in box 3 of the IRS Form 1099-Misc, Miscellaneous Income using the name and TIN of the payment recipient.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008		
b Employer Identification number		00-0198765		1 Wages, tips, other compensation	2 Federal income tax withheld	
c Employer's name, address, and ZIP code		WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		76900.00	15380.00	
		3 Social security wages		80000.00	4 Social security tax withheld	
		5 Medicare wages and tips		80000.00	4960.00	
		6 Medicare tax withheld			1160.00	
7 Social Security tips				8 Allocated tips		
d Employee's social security number		000-67-4589		9 Advance EIC payment	10 Dependent care benefits	
e Employee's first name and initial		Last name		11 Nonqualified plans		
EDWARD E		McNAMARA		12a See instructions for box 12		
800 CLARK RD. SEVERN, MD 21144		13 Statutory Retirement Third-party employee plan sick pay		12b		
		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		c o d e		
		14 Other		12c		
		Wages paid after death 3100.00		12d		
f Employee's address and Zip code				e		
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

Wage and Tax **2005**

Department of the Treasury-Internal Revenue Service

Form **W-2**
Copy A For Social Security Administration

Statement

For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

The following W-2 for Edward Eric McNamara is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008		
b Employer Identification number		00-0198765		1 Wages, tips, other compensation	2 Federal income tax withheld	
c Employer's name, address, and ZIP code		WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		80000.00	16000.00	
		3 Social security wages		80000.00	4 Social security tax withheld	
		5 Medicare wages and tips		80000.00	4960.00	
		6 Medicare tax withheld			1160.00	
7 Social Security tips				8 Allocated tips		
d Employee's social security number		000-67-4589		9 Advance EIC payment	10 Dependent care benefits	
e Employee's first name and initial		Last name		11 Nonqualified plans		
EDWARD E		McNAMARA		12a See instructions for box 12		
800 CLARK RD. SEVERN, MD 21144		13 Statutory Retirement Third-party employee plan sick pay		12b		
		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		c o d e		
		14 Other		12c		
		Wages paid after death 3100.00		12d		
f Employee's address and Zip code				e		
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

Wage and Tax **2005**

Department of the Treasury-Internal Revenue Service

Form **W-2**
Copy A For Social Security Administration

Statement

For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

The W-2 above is incorrect because the preparer included in box 1, the \$3100 after death payment made to Mr. McNamara's estate. The preparer appropriately included the after death payment as Social Security and Medicare wages. When an employee's estate or beneficiary is paid his/her accrued wages in the year of death, the payment should not be shown in box 1 (Wages, tips and other compensation).

Sandra Spencer is an employee subject to full-FICA. Mrs. Spencer's salary is \$50,000. She has elected to participate in Wiremasters' 401(k) plan by making an annual contribution of 10 percent of her salary (\$5,000). This amount is **not** included in box 1 but is included in boxes 3 and 5 and is subject to Social Security and Medicare taxes in boxes 4 and 6. The 401(k) contribution is also included in box 12, which is marked with code D. Sandra's unallocated tips equalled \$4,500. These are the tips she reported to Wiremasters and they are reported in box 1 as well as boxes 5 and 7. Sandra's allocated tips were \$3,000. They are reported in box 8 and represent amounts Wiremasters allocates to its employees. The allocated tips are not included as wages in boxes 1, 3, 5 or 7 and are not subject to Social Security, Medicare, or federal income taxes.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008		
b Employer Identification number 00-0198765		1 Wages, tips, other compensation 49500.00		2 Federal income tax withheld 9900.00		
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		3 Social security wages 50000.00		4 Social security tax withheld 3379.00		
		5 Medicare wages and tips 54500.00		6 Medicare tax withheld 790.25		
		7 Social Security tips 4500.00		8 Allocated tips 3000.00		
d Employee's social security number 000-78-5690		9 Advance EIC payment		10 Dependent care benefits		
e Employee's first name and initial SANDRA		Last name SPENCER		11 Nonqualified plans		
420 SMITH AVE. BALTIMORE, MD 21201		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e D 5000.00		
		14 Other		12b c o d e		
				12c c o d e		
f Employee's address and Zip code				12d c o d e		
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 **2005** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

The following W-2 for Sandra Spencer is incorrect. Please review these common errors and the discussion below the W-2.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008		
b Employer Identification number 00-0198765		1 Wages, tips, other compensation 50000.00		2 Federal income tax withheld 10000.00		
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		3 Social security wages 50000.00		4 Social security tax withheld 4169.25		
		5 Medicare wages and tips 54500.00		6 Medicare tax withheld		
		7 Social Security tips 4500.00		8 Allocated tips 3000.00		
d Employee's social security number 000-78-5690		9 Advance EIC payment		10 Dependent care benefits		
e Employee's first name and initial SANDRA		Last name SPENCER		11 Nonqualified plans		
420 SMITH AVE. BALTIMORE, MD 21201		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e D 5000.00		
		14 Other		12b c o d e		
				12c c o d e		
f Employee's address and Zip code				12d c o d e		
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 **2005** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration - Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable. For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

The W-2 above is incorrect because the preparer: 1) neglected to exclude the employee's contribution to the 401-(k) plan and failed to include the unallocated tip amount in box 1, Wages, tips and other compensation; 2) failed to apply the correct tax rate to taxable Social Security wages and tips (used combined Social Security and Medicare rate 7.65 percent); and 3) neglected to calculate any Medicare tax liability.
 The calculations are:
 box 1: \$50,000 - \$5,000 = \$45,000 + \$4,500 [box 7] = **\$49,500**.
 box 2: \$49,500. [box 1] x 20% = **\$9,900**.
 box 4: (\$50,000 [box 3] + \$4,500 [box7]) x 6.2% = **\$3,379**.
 box 6: (\$54,500 [box 5] x 1.45% = **\$790.25**

Randolph Marano, a single parent, is a part-time employee of the Wiremasters Company. He is eligible for and elected to receive Advance EIC by properly completing Form W-5, EIC Advance Payment Certificate which must be completed each year. He received \$1,597 in Advanced EIC in 2005. This amount is reported in box 9. Advanced EIC is not wages and is not included in boxes 1, 3 and 5. It is not subject to Social Security, Medicare or Federal income withholding taxes.

a Control number 22222 Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008				
b Employer Identification number 00-0198765		1 Wages, tips, other compensation 12220.00		2 Federal income tax withheld 2444.00		
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		3 Social security wages 12220.00		4 Social security tax withheld 757.64		
		5 Medicare wages and tips 12220.00		6 Medicare tax withheld 177.19		
		7 Social Security tips		8 Allocated tips		
d Employee's social security number 000-89-6701		9 Advance EIC payment 1597.00		10 Dependent care benefits		
e Employee's first name and initial RANDOLPH		Last name MARANO		11 Nonqualified plans		
123 MAPLE ST. BALTIMORE, MD 21201		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 c o d e		
		14 Other		12b c o d e		
				12c c o d e		
f Employee's address and Zip code				12d c o d e		
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

Wage and Tax **2005**

Department of the Treasury-Internal Revenue Service

Form **W-2**
Copy A For Social Security Administration

Statement

For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

The following W-2 for Randolph Marano is incorrect. Please review these common errors and the discussion below the W-2.

a Control number 22222 Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008				
b Employer Identification number 00-0198765		1 Wages, tips, other compensation 13817.00		2 Federal income tax withheld 2763.40		
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		3 Social security wages 13817.00		4 Social security tax withheld 856.65		
		5 Medicare wages and tips 13817.00		6 Medicare tax withheld 200.35		
		7 Social Security tips		8 Allocated tips		
d Employee's social security number 000-89-6701		9 Advance EIC payment 1597.00		10 Dependent care benefits		
e Employee's first name and initial RANDOLPH		Last name MARANO		11 Nonqualified plans		
123 MAPLE ST. BALTIMORE, MD 21201		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 c o d e		
		14 Other		12b c o d e		
				12c c o d e		
f Employee's address and Zip code				12d c o d e		
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

Wage and Tax **2005**

Department of the Treasury-Internal Revenue Service

Form **W-2**
Copy A For Social Security Administration

Statement

For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

In this example, the preparer erroneously considered the \$1,597 Advance EIC payment wages and included it in boxes 1, 3 and 5 and withheld the appropriate income, Social Security and Medicare taxes. However, Advance EIC payments are not wages and are not subject to withholding of income, Social Security or Medicare taxes. Advance EIC payment amounts **should only be shown in box 9, Advance EIC payment.**

Junghee Kim is an employee subject to full-FICA. Her W-2 below is voided because the preparer made typographical errors by transposing some numbers. Please review the discussion below the Form W-2.

a Control number		22222	Void <input checked="" type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-0198765			1 Wages, tips, other compensation 52000.00		2 Federal income tax withheld 10400.00
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201			3 Social security wages 25000.00		4 Social security tax withheld 3224.00
			5 Medicare wages and tips 25000.00		6 Medicare tax withheld 754.00
			7 Social Security tips		8 Allocated tips
d Employee's social security number 000-01-8923			9 Advance EIC payment		10 Dependent care benefits
e Employee's first name and initial JUNGHEE		Last name KIM		11 Nonqualified plans	
f Employee's address and Zip code 567 EASTERN AVE. BALTIMORE, MD 21201			13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e
			14 Other		12b c o d e
					12c c o d e
f Employee's address and Zip code			12d c o d e		
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

Wage and Tax

2005

Department of the Treasury-Internal Revenue Service

Form **W-2**

Statement

For Privacy Act and Paperwork Reduction

Copy A for Social Security Administration

Act Notice, see back of Copy D.

The "Void" box was checked on the Form W-2 above because an error was made and the preparer completed a new Form W-2 (below). The amounts shown on the "Void" form above **should not** be included in the totals entered on Wiremasters' Form W-3.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-0198765			1 Wages, tips, other compensation 52000.00		2 Federal income tax withheld 10400.00
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201			3 Social security wages 52000.00		4 Social security tax withheld 3224.00
			5 Medicare wages and tips 52000.00		6 Medicare tax withheld 754.00
			7 Social Security tips		8 Allocated tips
d Employee's social security number 000-01-8923			9 Advance EIC payment		10 Dependent care benefits
e Employee's first name and initial JUNGHEE		Last name KIM		11 Nonqualified plans	
f Employee's address and Zip code 567 EASTERN AVE. BALTIMORE, MD 21201			13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e
			14 Other		12b c o d e
					12c c o d e
f Employee's address and Zip code			12d c o d e		
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

Wage and Tax

2005

Department of the Treasury-Internal Revenue Service

Form **W-2**

Statement

For Privacy Act and Paperwork Reduction

Copy A for Social Security Administration

Act Notice, see back of Copy D.

The Form W-2 above is correct and all the amounts from this Form W-2 **should be** included in Wiremasters' W-3 totals.

Dominique D. Johnson is a 50 year old employee subject to full-FICA with 2005 wages of \$77,000. Her GTLI coverage is \$300,000 and she contributes \$168 per year for that coverage. The taxable income is calculated as follows: \$300,000 coverage less IRS limit of \$50,000 = \$250,000. Compute cost per thousand, 250,000/1,000 = 250. Multiply that amount by factor listed in IRS Publication 525, (250 x 0.23) = \$57.50 per month. Yearly cost (\$57.50 x 12) = \$690 less employee costs of \$168 (\$690 - \$168) = \$522 taxable income. Complete box 12a with code C.

Johnson contributes \$7,000 to a SIMPLE retirement account that is part of her 401(k) plan. The \$7,000 is not included in box 1 but is included for Social Security and Medicare wages and taxes. The amount is also included in box 12b, which is marked with code D. Johnson received \$150 in taxable fringe benefits, which is included in boxes 1, 3 and 5 with the applicable taxes withheld in boxes 2, 4 and 6. Johnson took various business trips for which she received a total per diem allowance of \$350. The amount is not included in boxes 1, 3 and 5 as the per diems were received at or below the IRS guidelines.

a Control number 22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 00-0198765		1 Wages, tips, other compensation 70672.00		2 Federal income tax withheld 14134.40		
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		3 Social security wages 77672.00		4 Social security tax withheld 4815.66		
		5 Medicare wages and tips 77672.00		6 Medicare tax withheld 1126.24		
		7 Social Security tips		8 Allocated tips		
d Employee's social security number 000-50-3210		9 Advance EIC payment		10 Dependent care benefits		
e Employee's first name and initial DOMINIQUE D		Last name JOHNSON		11 Nonqualified plans		
650 HOPE RD. BALTIMORE, MD 21202		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e C 522.00		
		14 Other		12b c o d e D 7000.00		
				12c c o d e		
f Employee's address and Zip code				12d c o d e		
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

Wage and Tax Statement 2005

Department of the Treasury-Internal Revenue Service

Form **W-2** Statement
Copy A For Social Security Administration-Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

The following W-2 for Dominique D. Johnson is incorrect. Please review these errors and the discussion below the W-2.

a Control number 22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 00-0198765		1 Wages, tips, other compensation 77840.00		2 Federal income tax withheld 15430.00		
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		3 Social security wages 77840.00		4 Social security tax withheld 4826.08		
		5 Medicare wages and tips 77840.00		6 Medicare tax withheld 1128.68		
		7 Social Security tips		8 Allocated tips		
d Employee's social security number 000-50-3210		9 Advance EIC payment		10 Dependent care benefits		
e Employee's first name and initial DOMINIQUE D		Last name JOHNSON		11 Nonqualified plans		
650 HOPE RD. BALTIMORE, MD 21202		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e C 690.00		
		14 Other		12b c o d e D 7000.00		
				12c c o d e		
f Employee's address and Zip code				12d c o d e		
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

Wage and Tax Statement 2005

Department of the Treasury-Internal Revenue Service

Form **W-2** Statement
Copy A For Social Security Administration

For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

The W-2 above is incorrect because the preparer included Johnson's contribution to her SIMPLE retirement account as wages in box 1 and failed to reduce the GTLI income by Johnson's post tax payment of \$168.

Appendix A: Employer Checklist

The following checklist contains a number of basic steps you should take to help report accurately. This information has already been presented but is consolidated here for your convenience.

Recording and Verifying Social Security Numbers

- Always ask to see a job applicant's Social Security card to ensure that the name and SSN agree with the information recorded on the job application. If different, ask the applicant to visit a Social Security office to clear up any discrepancies.
- Record the name and SSN accurately.
- You may keep a photocopy of the employee's Social Security card in the employee's personnel records.

Preparing and Submitting Annual Wage Reports

- Consider filing electronically using one of SSA's electronic filing methods. For more information, see page 3 of this document or visit our website, <http://www.socialsecurity.gov/employer>.
- Use either the IRS official Forms W-2 and W-3 or privately printed substitute Forms W-2 and W-3. SSA accepts **only** 8 ½ inch wide Forms W-2 and W-3. All privately printed, substitute Forms W-2 and W-3 **must** adhere to the specifications contained in IRS Publication 1141, General Rules and Specifications for Substitute Forms W-2 and W-3.
- Here are several reminders on the specifications for creating substitute Forms W-2 and W-3 and the entry of data on all forms.
 1. Margins: Do not print, write or enter any data in the margins of the form(s). These areas are used for control information during SSA's processing.
 2. Printing the Form(s): Forms can be laser printed in black and white; see IRS Publication 1141 for rules and specifications. All other printing of Forms W-3 and W-2 will be in red OCR dropout ink, except for the form identifying numbers '22222' or '33333' at the top and the descriptive information at the bottom (including the tax year) which will be printed in nonreflective black ink. The font used to print data on Forms W-3 and W-2 should be very dark, 12-point Courier. Do not use script, inverted, italics and/or dual case fonts when preparing the forms. Do not use inks that contain red pigment on forms that contain employer provided information.
 3. Paper Requirements: Paper for privately-printed, substitute forms (cut sheets and continuous pinfeed forms) that are to be filed with SSA must be white 100 percent bleached chemical wood, **18-20 pound paper only**, OCR bond with specific weight requirements. The forms must be produced in accordance with the detailed specifications of IRS Publication No. 1141.
 4. Data Entry:

- Entries on the Forms W-2 and W-3 should be typed or machine printed whenever possible.
 - The data entered must be presented in clear, **dark** images to guarantee optically scannable forms.
 - Insert data in the middle of the blocks and be sure they are separated from other printing.
5. **Separating the Forms:** Continuous pin-feed forms should be separated at the page perforation into individual 11 inch deep pages (i.e., two Forms W-2 or one Form W-3 per page) in accordance with IRS Publication 1141. When separating forms, keep them in order and submit them in the order printed. **Note:** Cutting individual Forms W-2 to create two separate forms causes processing problems.
6. Mail all paper Forms W-3 and W-2 (Copy A) to the appropriate address (depending on the mail service used) shown below.

If United States Postal Service-Send to:
Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001
(For certified mail use ZIP code 18769-0002)

Other IRS Approved Private Delivery Service-Send to:
Social Security Administration
Data Operations Center
Attn: W-2 Process
1150 E. Mountain Dr.
Wilkes-Barre, PA 18702-7997

- Ensure that a Form W-3 accompanies each “Kind of Payer” group of W-2’s submitted.
- Check that the EIN is the number issued by the IRS and that it is consistently reported on all three Forms: W-2, W-3, 941, 943, CT-1 or Schedule H (Form 1040).
- Balance Forms W-2 with data on the Form W-3, 941, 943, CT-1 or Schedule H (Form 1040). To assure proper balancing when reporting:

1. The Social Security wages and tips reported on the Forms W-2 should (a) equal the total Social Security wages and tips reported on the accompanying Form W-3 and (b) equal the annual sum of the quarterly amounts reported to IRS for Social Security wages and tips on Forms 941, 943, Schedule H (Form 1040); and

2. Medicare wages and tips reported on the Forms W-2 should (a) equal the total Medicare wages and tips reported on the accompanying Form W-3 and (b) equal the annual sum of the quarterly amounts reported to IRS for Medicare wages and tips on Forms 941, 943, CT-1, or Schedule H (Form 1040).
 3. Balance amounts with other required reporting Forms such as 943, CT-1, Schedule H (Form 1040) and Forms W-2c, W-3c and 941c.
 4. Document any valid differences and retain a copy of your reconciliation in case of inquiries by IRS or SSA.
- Send Forms W-3 and Forms W-2 (**Copy A only**) to SSA - **not** IRS or other destinations.
- Make sure the same tax year is shown on both Forms W-3 and W-2 (Copy A).
- If you terminate your business, you must file Forms W-2 with SSA by the end of the second month after the end of the quarter for which the final Form 941 is filed. Additionally, you must provide Form(s) W-2 to your employees for the calendar year of termination by the date your final Form 941 is required to be filed. **Note:** Even if IRS gives you an extension of time to file Forms W-2 (Copy A) and Form W-3, you must still furnish 2005 Forms W-2 to your employees by January 31, 2006, unless you request an extension of time to provide Forms W-2 to employees (see below).
- You may request an extension of time for filing Forms W-2 (Copy A) with SSA by sending **IRS Form 8809, Request for Extension of Time to File Information Returns**, to the address shown on that form. To obtain this form, contact your local IRS office, call 1-800-829-3676 or visit the IRS website at www.irs.gov. For your request to be considered, it must be postmarked on or before the due date of the returns. See IRS **Form 8809** for more details. **Note:** Please do not contact SSA to request an extension.
- If you file Forms W-2 on behalf of other employers in an "agent" capacity (after filing Form 2678 with the IRS), please remember to:
1. Report on Forms 941 throughout the tax year, the wage and tax data for all employers (including the "agent" if the "agent" is also an employer) for which the "agent" is assuming a reporting responsibility and use the "agent" name and EIN on the Forms 941;
 2. Enter the "agent's" EIN in box b and the "agent's" name and address in box c of the Forms W-2 (Exception: When an employee's total Social Security wages exceed the taxable Social Security wage base, enter the "agent's" name, "agent for" Employer's Name, and "agent" address in box c and the "agent's" EIN in box b);
 3. Enter the ["agent" name] in box f, ["agent" address] in box g and the ["agent" EIN] in box e of Form W-3; and
 4. Submit all Forms W-2 prepared on behalf of the other employers (and your own if you are also an employer) under one W-3 transmittal.

Note: See Chapter 2: Special Considerations for further information on agent reporting.

Post-Reporting Activities

- Do not submit paper Forms W-2 (Copy A) and/or Forms W-3 that contain the same information submitted to SSA that were filed electronically.
- If, after submitting Forms W-2 and W-3, you identify differences between the Social Security wages/tips and Medicare wages/tips reported to SSA and the information reported to IRS on Forms 941, 943, CT-1 or Schedule H (Form 1040) evaluate whether you should submit correction reports to SSA (Forms W-3c and W-2c) and/or to IRS (Form 941c). Retain copies of this information with your tax records.
- Use a Form W-2c and W-3c to correct prior report submissions. Do not use a new Form W-2 or W-3.

Ongoing Activities

- Remind employees to promptly report any name changes (marriages, divorces, etc.,) by completing and submitting a new SSA Form SS-5, Application for a Social Security Card, to SSA so their earnings can be credited to their earnings record. To obtain a SSA Form SS-5, use the SSA web site; *SSA Online* at <http://www.socialsecurity.gov/ssnumber> or call SSA's toll free number 1-800-772-1213 between 7 a.m. and 7 p.m., Monday through Friday. Employers can call the same toll-free number to obtain a supply of SSA Forms SS-5.
- Encourage employees to: (a) verify basic Form W-2 information each year, particularly their name and SSN and report any errors promptly, and (b) retain their copy of Forms W-2 to ensure proper credit of earnings to their SSA record.
- Remind employees that a W-5, Earned Income Advance Payment Certificate, must be completed each year by the end of the first payroll period.

Appendix B: SSA'S Regional Employer Service Liaison Officers

NOTE: THESE ARE NOT ALL TOLL-FREE NUMBERS

Please contact Social Security personnel for help with questions about how to submit **W-2s on magnetic media**. Refer to the Internal Revenue Service's (IRS) *Instructions for Forms W-2 and W-3* for information on filing **paper W-2s/W-3s**. If you are an employer, payroll service or an "agent" filing W-2s for employers, telephone the IRS Information Reporting Program Call Site at 1-866-455-7438, with employment tax questions. Contact the appropriate State Revenue Agency for questions regarding State reporting.

<u>Calls from:</u>	<u>Telephone:</u>	<u>Calls from:</u>	<u>Telephone:</u>
Alabama	(334) 223-7013 (Montgomery)*	Missouri.....	(816) 936-5649 (Kansas City, MO)
Alaska.....	(206) 615-2125 (Seattle)	Montana.....	(800) 314-1964 (Denver)
American Samoa	(510) 970-8247 (San Francisco)	Nebraska.....	(816) 936-5649 (Kansas City, MO)
Arizona.....	(510) 970-8247 (San Francisco)	Nevada.....	(510) 970-8247 (San Francisco)
Arkansas.....	(501) 324-5130 (Little Rock)**	New Hampshire	(617) 565-2895 (Boston)
California	(510) 970-8247 (San Francisco)	New Jersey.....	(212) 264-1117 (New York)
Colorado.....	(303) 844-2364 (Denver)	New Mexico	(505) 346-7244 (Albuquerque)**
Connecticut	(617) 565-2895 (Boston)	New York	(212) 264-1117 (New York)
Delaware	(215) 597-4632 (Philadelphia)	North Carolina.....	(919) 790-2877 Ext. 3007 (Raleigh)
Dist. of Columbia...	(215) 597-4632 (Philadelphia)	North Dakota	(800) 314-1964 (Denver)
Florida-North	(321) 255-1553 Ext. 202	Northern Mariana Isl..	(510) 970-8247 (San Francisco)
	(Melbourne)*	Ohio	(312) 575-4244 (Chicago)
Florida-South	(305) 672-4517 (Miami Beach)*	Oklahoma.....	(501) 324-5130 (Little Rock)**
Georgia-North	(770) 531-1615 Ext.227	Oregon	(206) 615-2125 (Seattle)
	(Gainesville)*	Pennsylvania.....	(215) 597-4632 (Philadelphia)
Georgia- South.....	(912) 264-0417 Ext. 109	Puerto Rico	(787) 766-5574 (San Juan)**
	(Brunswick)*	Rhode Island.....	(617) 565-2895 (Boston)
Guam.....	(510) 970-8247 (San Francisco)	South Carolina.....	(864) 582-1091 Ext. 260 (Spartanburg)
Hawaii	(510) 970-8247 (San Francisco)	South Dakota	(800) 314-1964 (Denver)
Idaho.....	(206) 615-2125 (Seattle)	Tennessee.....	(615) 781-5803 Ext.206 (Nashville)
Illinois	(312) 575-4244 (Chicago)	Texas-Central/South ..	(512) 916-5391 (Austin)**
Indiana.....	(312) 575-4244 (Chicago)	Texas Dallas/North	(817) 978-3123 (Fort Worth)**
Iowa.....	(816) 936-5649 (Kansas City, MO)	Texas-East	(936) 441-9243 (Houston)**
Kansas	(816) 936-5649 (Kansas City, MO)	Texas-West	(505) 346-7244 (Albuquerque)**
Kentucky	(859) 294-5153 Ext. 3055	Utah	(800) 314-1964 (Denver)
	(Lexington)*	Vermont.....	(617) 565-2895 (Boston)
Kentucky	(859) 219-1461 Ext. 111	Virgin Islands	(787) 766-5574 (San Juan)**
	(Nicholasville)*	Virginia.....	(215) 597-4632 (Philadelphia)
Louisiana.....	(504) 240-7321 (New Orleans)**	Washington.....	(206) 615-2125 (Seattle)
Maine	(617) 565-2895 (Boston)	West Virginia.....	(215) 597-4632 (Philadelphia)
Maryland	(215) 597-4632 (Philadelphia)	Wisconsin	(312) 575-4244 (Chicago)
		Wyoming.....	(800) 314-1964 (Denver)
			* or Atlanta (404) 562-1315
			** or Puerto Rico and the Virgin Islands, toll-free number (866) 638-6497
			*** or Dallas (281) 449-2955

Massachusetts..... (617) 565-2895 (Boston)
Michigan (312) 575-4244 (Chicago)
Minnesota..... (312) 575-4244 (Chicago)
Mississippi (601) 693-4859 (Meridian)*

Appendix C: IRS/SSA Publications

There are other IRS and SSA publications that can help employers file wage reports. Several key publications from each Agency are listed below.

IRS Publications

- Employer's Tax Guide, Publication 15 (Circular E)
- Employer's Supplemental Tax Guide, Publication 15-A
- Employer's Tax Guide to Fringe Benefits, Publication 15-B
- Farmer's Tax Guide, Publication 225
- Tax Guide for Small Business, Publication 334
- Federal Employment Tax Forms, Publication 393
- Reporting Back Pay and Special Wage Payments to the Social Security

Administration, Publication 957

- General Rules and Specifications for Substitute Forms W-2 and W-3, Publication 1141
- General Rules and Specifications for Substitute Forms W-2c and W-3c, Publication

1223

You can get copies of these and other IRS publications via the IRS website @ www.irs.gov, by contacting the local IRS office listed in your telephone directory or calling toll free 1-800-829-3676 to request this information.

SSA Publications

- Employers Guide to Filing Timely and Accurate W-2 Wage Reports, Publication No. 16-004
- Software Specifications and Edits for Annual Wage Reporting, Publication No. 31-011
- Software Specifications and Edits for Correcting Annual Wage Reports, Publication No. 31-031
- Magnetic Media Reporting And Electronic Filing (MMREF-1), Publication No. 42-007
- Magnetic Media Reporting And Electronic Filing of W-2C information (MMREF-2), Publication No. 42-014
- Business Services Online (BSO) handbook

For copies of SSA's publications, please contact your regional SSA ESLO listed in Appendix B or visit SSA's website at <http://www.socialsecurity.gov/employer/pub.htm>.

For additional copies of this SSA publication, Software Specifications and Edits for Annual Wage Reporting, write to:

Social Security Administration
Office of Financial Policy and Operations
ATTN: AWR Software Standards
P.O. Box 17195
Baltimore, MD 21297-1195

Appendix D: Chart to Relate Paper Forms W-2/W-3 Entries to Magnetic Media Reporting and Electronic Filing (MMREF-1) Data Fields

<u>PAPER W-2 BOX 11</u>	<u>MMREF-1 FIELDS</u>
Nonqualified Plans Section 457	Code RW record, location 353-363
Not Section 457	Code RW record, location 375-385
<u>PAPER W-2 BOX 12</u>	
A Uncollected Social Security or RRTA Tax on Tips	Combine code A and B amounts and enter combined total in Code RO record, location 23-33
B Uncollected Medicare Tax on Tips	Code RW record, location 408-418
C Employer Cost of Premiums for group-term life insurance over \$50,000	Code RW record, location 287-297 Code RW record, location 298-308
D Section 401(k) contributions	Code RW record, location 309-319
E Section 403(b) contributions	Code RW record, location 320-330
F Section 408(k)(6) contributions	Code RW record, location 331-341
G Section 457(b) contributions	Not required by IRS for electronic reporting.
H Section 501(c)(18)(D) contributions	Not required by IRS for electronic reporting.
J Sick Pay not includable as income	Not required by IRS for electronic reporting.
K Tax on excess golden parachute payments	Code RO record, location 67-77
L Non-taxable part of employee business expense reimbursements	Code RO record, location 78-88
M Uncollected Social Security or RRTA tax on cost of group-term life insurance over \$50,000	
N Uncollected Medicare tax on cost of group- term life insurance over \$50,000	

<p style="text-align: center;"><u>PAPER W-2 BOX 12 (cont.)</u></p> <p>P Excludable moving expense reimbursements</p> <p>Q Nontaxable combat pay</p> <p>R Archer Medical Savings Account</p> <p>S Section 408(p) contributions under a Simple Retirement Account</p> <p>T Qualified Adoption Expenses</p> <p>V Income from the exercise of nonstatutory stock options</p> <p>W Employer Contributions to an HSA</p> <p>Y Deferrals under a section 409A nonqualified deferred compensation plan</p> <p>Z Income under section 409A on a nonqualified deferred compensation plan</p>	<p style="text-align: center;"><i>MMREF-1 FIELDS</i></p> <p>Not required by IRS for electronic reporting.</p> <p>Code RW record, location 386-396</p> <p>Code RO record, location 34-44</p> <p>Code RO record, location 45-55</p> <p>Code RO record, location 56-66</p> <p>Code RW record, location 419-429</p> <p>Code RW record, location 364-374</p> <p>Code RW record, location 430-440</p> <p>Code RO record, location 89-99</p>
<p style="text-align: center;"><u>PAPER W-2 BOX 13</u></p> <p>Statutory Employee</p> <p>Retirement Plan</p> <p>Third-Party Sick Pay</p>	<p>Code RW record, location 486</p> <p>Code RW record, location 488</p> <p>Code RW record, location 489</p>
<p style="text-align: center;"><u>PAPER W-2 BOX 14</u></p> <p>Other</p> <p style="text-align: center;"><u>PAPER W-2 BOXES 15-20</u></p> <p>State/Employer's State ID number, State and Locality wages and taxes</p>	<p>Not required by IRS for electronic reporting.</p> <p>Not required by IRS for electronic reporting. This data is required if creating an RS record for state filing.</p> <p>Code RT record, location 325-339</p>
<p style="text-align: center;"><i>PAPER W-3 BOX 14</i></p> <p>Income tax withheld by payer of third-party sick pay</p>	

Appendix E: Acronyms

AWR	Annual Wage Reporting
BSO	Business Services Online
DOB	Date of Birth
EDT	Electronic Data Transfer
EIC	Earned Income Credit
EIN	Employer Identification Number
ESLO	Employer Service Liaison Officers
EVS	Employee Verification Services
FICA	Federal Insurance Contribution Act
FUTA	Federal Unemployment Tax Act
GTLI	Group-Term Life Insurance
HSA	Health Savings Account
IRS	Internal Revenue Service
ITIN	Individual Taxpayer Identification Number
MMREF	Magnetic Media Reporting and Electronic Filing
MSA	Medical Savings Account
MQGE	Medicare Qualified Government Employee
NQDCP	Nonqualified Deferred Compensation Plan
OCR	Optical Character Recognition
RRTA	Railroad Retirement Tax Act
SARSEP	Salary Reduction Agreement Simplified Employee Pension
SEP	Simplified Employee Pension
SIMPLE	Savings Incentive Match Plan for Employees
SSA	Social Security Administration
SSN	Social Security Number
TY	Tax Year