

## MONEY 101 EDUCATION

### 1.10 How to Read and Understand Form W-2

All employers paying employees \$600 or more annually must send them a W-2 form listing their earnings.

W-2 forms are required to be postmarked by January 31<sup>st</sup> of the subsequent year. i.e., 2024 earnings must be reported by January 31, 2025.



It does not matter how long an employee worked, how many paychecks they received, or the position they held – the magic number that triggers the requirement remains \$600 earned during the calendar year. *Sometimes, an employer will issue a W-2 form to all employees, even if they earned less than \$600; it is just easier.*

A form W-2 lists federal, state, and city taxable wages and Social Security and Medicare income. Sometimes, these amounts differ because certain items are considered non-taxable to one entity but taxable to another.

An employer traditionally prepares six copies of each W-2 form per employee; three are given to the employee to file their tax return, and the others are sent to government agencies.

All W-2 Forms include “Boxed Information,” regardless of the layout, the information in a box is standard.

#### **ON THE LEFT SIDE OF THE W-2 FORM IS BOX A-F**

**Box a.** Your Social Security Number (SSN) is reported in box (a). It would help to double-check this to ensure it is correct. If it's incorrect, you need to request a new form W-2 from your employer (that corrected form is called a W-2c). An error could slow the processing of your return. Remember that your entire Social Security Number should appear in this box: while the regulations allow for truncation of numbers on certain forms, it's not allowable on your W-2 form.

**Box b.** Your employer's EIN is reported in box (b). An EIN is the employer's equivalent of your SSN.

**Box c.** Your employer's address is reported in box (c). This is your employer's legal address, which may or may not be where you work. Don't let that throw you.

**Box d.** A control number is an internal number used by your employer or the payroll department. If your employer doesn't use control numbers, it's not a big deal: Box (d) will be blank.

**Boxes e and f.** These appear as one big block on your W-2 form. Your full name is reported in box (e). It's supposed to reflect the name on your Social Security card (the SSA does not like suffixes, so even if you use them, you shouldn't see one on your W-2 form unless it's on your Social Security card).

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Your name should be identical to how it appears on your Social Security card. If the name is different, you may need a new W-2 form; ask your employer if you need clarification.

Your address is reported at box (f) and should reflect your mailing address, which could be a post office box and is likely without punctuation (a USPS preference). If your address on the W-2 form needs to be corrected, notify your employer: You won't need a new W-2 form, but your employer needs to update their records.

#### **ON THE RIGHT SIDE OF THE FORM IS BOX 1-20**

**Box 1 FEDERAL TAXABLE WAGES** - shows your total FEDERAL taxable wages, tips, prizes, other compensation, and any taxable fringe benefits subject to FEDERAL INCOME TAX. In general,

Box 1 wages are calculated by taking your gross wages and deducting elective deferrals, such as contributions to health insurance plans and traditional retirement plans. **This tends to be the number most taxpayers care about the most.**

**Box 2 FEDERAL TAXES WITHHELD** reports the total federal income taxes withheld from your pay during the year. This amount is determined by the elections on your W-4 form based on exemptions and any additional withholding. If this number is too low or too high, you'll want to file an updated W-4 form with your employer.

**Box 3 SOCIAL SECURITY WAGES** - shows total wages subject to the Social Security tax. Social Security does NOT allow deductions for most pre-tax benefits (such as 401 K contributions). The one exception is Health Insurance premiums paid by an employee – the amount paid for health insurance premiums is deducted from your gross pay when calculating social security wages. Therefore, the amount in box three could be higher than in box 1.

However, the income subject to Social Security tax is capped at a dollar limit, which changes annually. For 2023, the amount was \$ 160,200; for 2024, it will be \$ 168,600.

**Box 4 SOCIAL SECURITY TAXES WITHHELD** - shows total Social Security taxes withheld for the year. Unlike federal income taxes, Social Security taxes are calculated based on a flat rate. The rate is 6.2%. The amount in Box 4 should thus equal the amount in Box 3 times 6.2%.

**Box 5 MEDICARE WAGES** – shows total wages subject to the Medicare tax. Medicare does NOT allow deductions for most pre-tax benefits (such as 401 K contributions); the one exception is health insurance premiums paid by an employee, which are deductible.

However, unlike Social Security wages, there is no cap for Medicare taxes, which means the figure in box 5 may be larger than the amounts shown in box 1 or box 3.

The Social Security Taxes paid by an employee is only half the amount the government receives; the employer pays an equal amount.

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**Box 6 MEDICARE TAX WITHHELD** - shows the amount of Medicare taxes withheld for the year. Like Social Security taxes, Medicare taxes are based on a flat rate. The [rate is 1.45%](#), so this means that the figure in box 6 equals the figure in box 5 times 1.45%

The Medicare Taxes paid by an employee is only half the amount the government receives; the employer pays an equal amount.

(NOTE – if you are self-employed, you will pay double for Social Security and Medicare Taxes. This is often called Self Employment taxes)

**Box 7 – TIPS** - Tips reported to your employer will be found in **box 7**. If this box is blank, you did not report tips to your employer.

**Box 8 – ALLOCATED TIPS** - are tips the employer attributed to the employee based on a pattern of tipping, which is sometimes subjective. Tips are taxable income.

**Box 9 – VERIFICATION CODE** – Box 9 is left blank. It was previously used for businesses participating in the W-2 Verification Code pilot program.

**Box 10, DEPENDENT CARE ASSISTANCE** – an employer will report the total benefits paid on the employee's behalf under a dependent care assistance program. If the value exceeds \$5,000, that excess will be reported in boxes 1, 3, and 5 as the excess is taxable.

**Box 11** is used to report amounts distributed to you from your employer's non-qualified deferred compensation plan (this amount is taxable). Don't confuse this with the amounts you contributed. That shows up in box 12.

**Box 12** is used to report all sorts of data. Generally, any entry is preceded by a letter code. The most common codes are:

- *Code D*. If you participate in an elective TRADITIONAL retirement savings plan – such as a 401K or 403B where you contribute, you'll see the amount you contributed. Contributions to ROTH accounts are not listed as they do not affect taxable income
- *Code DD*. If you participated in an elective Health Insurance plan – you will see the COMBINED cost of the premium that you AND your Employer paid for the plan. This is for informational purposes only.
- See below for a complete list of current codes.

**Box 13** - isn't one box: it's a series of three boxes. Your employer will check the applicable box if you are a statutory employee (employees whose earnings are subject to Social Security and Medicare taxes but not federal income tax withholding) if you participated in your employer's retirement plan during the year, or if you received sick pay under your employer's third-party insurance policy.

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**Box 14 – CATCH ALL** -. Your employer reports anything here that doesn't fit anywhere else. Examples include state disability insurance taxes withheld, union dues, deducted health insurance premiums, and nontaxable income. If you can't figure out the amounts in this box, check with your payroll or human resources (HR) department: in most cases, the IRS will not be able to interpret these for you.

**Box 15 EMPLOYER STATE ID NUMBER** - includes your employer's state and tax identification numbers. If you work in a state without a reporting requirement, boxes 16 and 17 will be blank. If you had multiple withholdings in several states, more than one box will be filled.

**Box 16 STATE TAXABLE WAGES** - will indicate the total amount of taxable wages for state tax purposes.

**Box 17, STATE INCOME TAXES WITHHELD**, will show the total state income taxes withheld during the year.

**Box 18 – LOCAL CITY TAXABLE WAGES** - will indicate the total taxable wages for local or city tax purposes. If you have wages subject to withholding in more than two states or localities, your employer will furnish an additional W-2 form.

**Box 19, LOCAL CITY INCOME TAXES WITHHELD**, will show the total amount of local or city income taxes withheld during the year.

**Box 20 STATE** - is the name of the local, city, or other state tax reported at box 19.

22222		a Employee's social security number	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	
			9	10 Dependent care benefits	
d Control number			11 Nonqualified plans	12a	
e Employee's first name and initial		Last name	Suff.	13 Statutory employee Retirement plan Third-party sick pay	12b
f Employee's address and ZIP code			14 Other	12c	
				12d	
16 State	17 State	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Form **W-2** Wage and Tax Statement  
 Copy 1 – For State, City, or Local Tax Department

2023

Department of the Treasury—Internal Revenue Service

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W-2 Form codes include:

- A** – Uncollected Social Security or RRTA tax on tips
- B** – Uncollected Medicare tax on tips (but not Additional Medicare Tax)
- C** – Taxable cost of group-term life insurance over \$50
- D** – Elective deferrals to a section 401(k) cash or deferred arrangement plan (including a SIMPLE 401(k) arrangement)
- E** – Elective deferrals under a section 403(b) salary reduction agreement
- F** – Elective deferrals under a section 408(k)(6) salary reduction SEP
- G** – Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan.
- H** – Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan
- J** – Nontaxable sick pay
- K** – 20% excise tax on excess golden parachute payments
- L** – Substantiated employee business expense reimbursements
- M** – Uncollected Social Security or RRTA tax on taxable cost of group-term life insurance over \$50,000 (former employees only)
- N** – Uncollected Medicare tax on taxable cost of group-term life insurance over \$50,000 (but not Additional Medicare Tax) (former employees only)
- P** – Excludable moving expense reimbursements paid directly to the employee
- Q** – Nontaxable combat pay
- R** – Employer contributions to an Archer MSA
- S** – Employee salary reduction contributions under a section 408(p) SIMPLE plan.
- T** – Adoption benefits
- V** – Income from exercise of nonstatutory stock option(s)
- W** – Employer contributions (including employee contributions through a cafeteria plan) to an employee's health savings account (HSA)
- Y** – Deferrals under a section 409A nonqualified deferred compensation plan.
- Z** – Income under a nonqualified deferred compensation plan that fails to satisfy section 409A
- AA** – Designated Roth contributions under a section 401(k) plan
- BB** – Designated Roth contributions under a section 403(b) plan
- CC** – HIRE exempt wages and tips (2010 only)
- DD** – Cost of employer-sponsored health coverage
- EE** – Designated Roth contributions under a governmental section 457(b) plan
- FF** – Permitted benefits under a qualified small employer health reimbursement arrangement (the amount the employee is entitled to receive for the year, not the actual amount)
- GG** – Income from qualified equity grants under section 83(i)

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**HH** – Aggregate deferrals under section 83(i) elections as of the close of the calendar year