Form W-2 for 2018: All You Need to Know

Presented on Wednesday, January 17, 2018
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Our Focus For Today

- The “changes” to the Form W-2 for 2018
- Box by Box instructions for completing form
- Best practices
- Reconciliations
- Correcting the form
- Filing the form-with employees, SSA and states
- Handling duplicate requests
- Penalties for late filing

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Vicki M. Lambert, CPP is President and Academic Director of The Payroll Advisor, a firm specializing in the training of payroll professionals. With four decades of hands-on experience in all facets of payroll functions as well as over 25 years as a national trainer and published author, Ms. Lambert produces and presents payroll related webinars and webcasts for clients, APA chapters and business groups throughout the country. In addition, Ms. Lambert is an adjunct faculty member at Brandman University. She is the creator of and the instructor for their Practical Payroll Online program as well as the instructor for the APA’s PayTrain CPP/FPC study programs.

Ms. Lambert’s website, www.thepayrolladvisor.com offers a subscription payroll news update service which keeps payroll professionals abreast of the changes on both federal and state levels.
No changes announced for 2018 as of this time
For filing season 2018 (2017 Forms W-2), the Internal Revenue Service is again testing a capability to verify the authenticity of Form W-2 data.

This test is one in a series of steps to combat tax-related identity theft and refund fraud.

The objective is to verify Form W-2 data submitted by taxpayers on e-filed individual tax returns.

The IRS has partnered with 10-12 Payroll Service Providers (PSPs) to include a 16-digit code and a new Verification Code field on a limited number of Form W-2 copies provided to employees.

The code will be displayed in four groups of four alphanumeric characters, separated by hyphens. Example: XXXX-XXXX-XXXX-XXXX.

A-F, 0-9 will be used for the codes.

If all goes well this will be in place for 2018.
Changes to 2018 Instructions

- The instructions are in draft
- Will be available when the form is released sometime between Feb-March
- IRS has created a webpage on its website to assist employers in tracking developments or changes to the Form W-2 or the instructions
  [https://www.irs.gov/uac/About-Form-W2](https://www.irs.gov/uac/About-Form-W2)
EFW-2 Record Changes for 2018

- Publication for 2018 will be released by August, 2018
- [https://www.ssa.gov/employer/EFW2&EFW2C.htm](https://www.ssa.gov/employer/EFW2&EFW2C.htm)
Let’s begin our box by box review of the Form W-2 for 2018

We begin with boxes a-f.

These are the info boxes
Void. Check this box when an error is made on Form W-2 and the form is being voided because a new Form W-2 is being completed.

Box a—Employee's social security number. Enter the number shown on the employee's social security card.

Box b—Employer identification number (EIN). Show the employer identification number (EIN) assigned by the IRS (00-0000000).

Box c—Employer's name, address, and ZIP code. This entry should be the same as shown on the Form 941, Form 943, Form 944, Form CT-1, or Schedule H (Form 1040).
Box d Control Number

Use this box to identify individual Forms W-2. This box does not have to be used.
Boxes e and f—Employee’s name and address

Enter the name as shown on the employee's social security card (first, middle initial, last).
Boxes e and f Continued

- If the name does not fit, show first name initial, middle initial, and full last name (and ignore the vertical line)
- It is especially important to report the exact last name of the employee
- If the name has changed, the employee must get a corrected card from any SSA office. Use the name on the original card until the corrected one is seen.
Know the Employee’s Name

- It's especially important to know the exact last name
- If an employee provides a name with apparent compound or multiple last names, carefully question them to determine which name is the beginning of the surname and which (if any) is the middle name
Generally, do not enter “Jr.,” “Sr.,” etc., in the “Suff.” box on Copy A unless the suffix appears on the card. However, SSA still prefers that the suffix not be entered on Copy A (paper copy).

Do not show titles or academic degrees, such as Dr., RN, or Esq., at the beginning or end of the worker's name. If the Social Security card contains a middle name, always complete the W-2 using just the middle initial (with no punctuation).
Use the Correct Name Format

- Compound names no longer require a hyphen
- Connect parts of a compound name with either a hyphen or a blank space
- Do not join them into a single word
- If an employee has a compound name, include all of the parts in the appropriate name field
- For example, the name John R Smith-Jones: Enter Smith Jones in the last name field.
Electronic Forms

- You may enter a suffix, e.g., Jr., Sr., in location 62-65 of the Code RW, Employee Wage Record. The field for the middle name/initial is 15 spaces. You may enter either the middle initial or the full middle name.

- It is acceptable to use the Specifications for Filing Forms W-2 Electronically format for employee copies of W-2s even though it may contain suffixes, middle names, etc.
Include in the address the number, street, apartment or suite number (or P.O. box number if mail is not delivered to a street address)

For a foreign address, give the information in the following order: city, province or state, and country

Follow the country's practice for entering the postal code

Do not abbreviate the country name
Social Security Number Verification Service (SSNVS)

- The Social Security Number Verification Service (SSNVS) is one of the services offered by Social Security’s Business Services Online (BSO)
- Allows registered users (employers and certain third-party submitters) to verify the names and Social Security Numbers (SSNs) of employees against Social Security Records.
With SSNVS You May...

- Verify up to 10 names and SSNs online and receive immediate results, and upload batch files of up to 250,000 names and SSNs and usually receive results the next government business day.
- Can key multiple screens
- No limit to the number of times the webpage may be used within a session
- File must be a text file (.txt) not Excel (.xls)
Let’s do boxes 1-8

These are the ones that deal with wages, tips and taxes without getting into specifics of fringe benefits
Box 1—Wages, tips, other compensation

- Show the total taxable wages, tips, and other compensation, (before any payroll deductions), that were paid to the employee during the year.
Box 2—Federal income tax withheld

- Show the total federal income tax withheld from the employee's wages for the year.
- Include the 20% excise tax withheld on excess parachute payments.

2 Federal income tax withheld
Show the total wages paid (before payroll deductions) subject to employee social security tax but not including social security tips and allocated tips.

The total of boxes for social security wages and tips cannot exceed $128,400 (2018 maximum social security wage base).
Show the total employee social security tax (not employer’s share) withheld, including social security tax on tips. For 2018, the maximum is $7,960.80

Include only taxes withheld (or paid by employer for the employee) for 2018 wages and tips.
Box 5—Medicare wages and tips

- Enter the total Medicare wages and tips in box 5 including the wages subject to the Additional Medicare Tax
- Be sure to enter tips that the employee reported even if there was not enough employee funds to collect the Medicare tax for those tips.
Box 6—Medicare tax withheld

- Enter the total employee Medicare tax (not the employer’s share) withheld
- Include only tax withheld for 2018 wages and tips
- Additional Medicare Tax withholding on wages subject to FICA taxes are reported in combination with withholding of regular Medicare tax
Box 7—Social security tips

- Show the tips that the employee reported even if there was not enough employee funds to collect the social security tax for the tips
- The total of boxes 3 and 7 should not be more than $128,400
Box 8—Allocated tips

- If a food or beverage establishment, show the tips allocated to the employee
- See the Instructions for Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips
- Do not include this amount in boxes 1, 3, 5, or 7.
Best Practices for Gathering, Collecting and Reconciling Data

- Taxation of fringe benefits
  - awards and prizes
  - moving expenses—new under tax bill
  - personal use of company cars
  - gift certificates
- Best practices for gathering the data

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Box 9—Verification Code

Beginning 2017 this box is for verification codes
Box 10—Dependent Care Benefits

- Show the total dependent care benefits under a dependent care assistance program (section 129) paid or incurred by the employer for the employee

- Report all amounts paid or incurred (regardless of any employee forfeitures), including those in excess of the $5,000 exclusion
This may include:

a) The FMV of benefits provided in kind

b) An amount paid directly to a daycare facility by the employer or reimbursed to the employee to subsidize the benefit

c) Benefits from the pre-tax contributions made by the employee under a section 125 dependent care flexible spending account.
The purpose of box 11 is for the SSA to determine if any part of the amount reported in box 1 or boxes 3 and/or 5 was earned in a prior year.

The SSA uses this information to verify that they have properly applied the social security earnings test and paid the correct amount of benefits.
Show distributions to an employee from a nonqualified plan or a nongovernmental section 457(b) plan

These will also be reported in box 1

Make only one entry in this box

See Pages 30 & 31 of Form instructions for more details
Box 12—Codes

- Complete and code this box for all items described in the instructions.
- Note that the codes do not relate to where they should be entered in boxes 12a-12d on Form W-2.
- For example, if required to report code D in box 12, enter code D and the amount in box 12a of Form W-2.
- Do not report in box 12 any items that are not listed as codes A-FF.

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<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Uncollected social security or RRTA tax on tips</td>
</tr>
<tr>
<td>B</td>
<td>Uncollected Medicare tax on tips (but not Additional Medicare Tax)</td>
</tr>
<tr>
<td>C</td>
<td>Taxable cost of group-term life insurance over $50,000</td>
</tr>
<tr>
<td>D</td>
<td>Elective deferrals under a section 401(k) cash or deferred arrangement plan</td>
</tr>
<tr>
<td>E</td>
<td>Elective deferrals under a section 403(b) salary reduction agreement</td>
</tr>
<tr>
<td>F</td>
<td>Elective deferrals under a section 408(k)(6) salary reduction SEP</td>
</tr>
<tr>
<td>G</td>
<td>Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan</td>
</tr>
<tr>
<td>H</td>
<td>Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan</td>
</tr>
<tr>
<td>J</td>
<td>Nontaxable sick pay</td>
</tr>
<tr>
<td>K</td>
<td>20% excise tax on excess golden parachute payments</td>
</tr>
<tr>
<td>L</td>
<td>Substantiated employee business expense reimbursements</td>
</tr>
<tr>
<td>M</td>
<td>Uncollected social security or RRTA tax on taxable cost of group-term life insurance over $50,000 (former employees only)</td>
</tr>
<tr>
<td>N</td>
<td>Uncollected Medicare tax on taxable cost of group-term life insurance over $50,000 (but not Additional Medicare Tax) (former employees only)</td>
</tr>
<tr>
<td>P</td>
<td>Excludable moving expense reimbursements paid directly to employee</td>
</tr>
<tr>
<td>Q</td>
<td>Nontaxable combat pay</td>
</tr>
<tr>
<td>R</td>
<td>Employer contributions to an Archer MSA</td>
</tr>
<tr>
<td>S</td>
<td>Employee salary reduction contributions under a section 408(p) SIMPLE plan</td>
</tr>
<tr>
<td>T</td>
<td>Adoption benefits</td>
</tr>
<tr>
<td>V</td>
<td>Income from exercise of nonstatutory stock option(s)</td>
</tr>
<tr>
<td>W</td>
<td>Employer contributions (including employee contributions through a cafeteria plan) to an employee's health savings account (HSA)</td>
</tr>
<tr>
<td>Y</td>
<td>Deferrals under a section 409A nonqualified deferred compensation plan</td>
</tr>
<tr>
<td>Z</td>
<td>Income under a nonqualified deferred compensation plan that fails to satisfy section 409A</td>
</tr>
<tr>
<td>AA</td>
<td>Designated Roth contributions under a section 401(k) plan</td>
</tr>
<tr>
<td>BB</td>
<td>Designated Roth contributions under a section 403(b) plan</td>
</tr>
<tr>
<td>DD</td>
<td>Cost of employer-sponsored health coverage</td>
</tr>
<tr>
<td>EE</td>
<td>Designated Roth contributions under a governmental section 457(b) plan</td>
</tr>
<tr>
<td>FF</td>
<td>Permitted benefits under a qualified small employer health reimbursement arrangement</td>
</tr>
</tbody>
</table>
Use this code to report the cost of employer-sponsored health coverage

Still required under the Patient Protection and Affordable Care Act (Affordable Care Act)

Required as of January 1, 2012

Requirement contained in new section of Internal Revenue Code – Section 6051(a)(14)

Reminder—reporting does not mean the health insurance is taxable
Reporting Employer-Provided Health Care Coverage

- Transitional relief is only temporary
- Additional guidance will be furnished on when the transitional relief will end
- Employers will have at least six months after the guidance is issued before reporting is required for the next calendar year—Needed to hear by 6-30-18
- Transitional relief for 2018 W-2s given to all employers who file less than 250 W-2’s in 2017
- In addition no reporting is required on Forms W-2 furnished to employees who terminate before the end of the calendar year and request their Form W-2 before the end of the calendar year

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Reporting Employer-Provided Health Care Coverage

- Amount reported under code DD are not reported on Form W3
- If employee would not otherwise be getting a Form W-2, the employer is not required to issue a Form W-2 for health insurance only
- For example, an employee who separated from employment in the prior year, but was still covered under the employer’s health plan
Check all boxes that apply.
Box 14—Other

Employers may also use this box for any other information that they want to give to the employee. Please label each item.
Boxes 15-20

- Belong to the states
- Use individual state requirements for reporting wages correctly
- Example: SDI for CA goes in Box 18-20
Their Reconciliation Process of Your Forms

The following slides demonstrate the IRS’s and the Social Security Administration’s process of reconciling your submitted forms to their records...
Reconciliation Process

941/943/944

IRS

Employer

W-2s/W-3

SSA

94x Totals for Year

W-2 Totals for Year

Reconcile IRS Totals with SSA Totals

Post earnings or place in Suspense File
Items Reconciled

Social Security
- Wages
- Tips
- Tax Withheld

Medicare
- Wages and Tips
- Tax Withheld

- Federal Income Tax Withheld

- W-2s *less* than 94x – SSA sends notice
- W-2s *more* than 94x – IRS sends notice
Rejected wage reports from the Social Security Administration (SSA). Effective January 2015, the SSA will reject Form W-2 electronic and paper wage reports under the following conditions:

- Medicare wages and tips are less than the sum of social security wages and social security tips,
- Social security tax is greater than zero; social security wages and social security tips are equal to zero, and
- Medicare tax is greater than zero; Medicare wages and tips are equal to zero.
To employee: **January 31, 2019**

Paper filers to SSA: **January 31, 2019!**

Electronic filers to SSA: **January 31, 2019!**

If employment ends before December 31, 2018 and employee asked for Form W-2 they must receive the completed copies within 30 days of the request or within 30 days of final wage payment, whichever is later.
Other Items of Note

- Extensions:
  - No longer automatic—Must file Form 8809
  - 1-30 day extension only will be granted
  - Only granted for extraordinary circumstances or catastrophe

- Social Security Number: do not truncate
- Do not include logos, slogans, advertisements on any copy of form
Filing Requirements

- Electronic or Paper only to SSA and they really don’t want the paper!
- Must file electronically if 250 or more forms
- Complete Form W-3 if filing on paper
- States may require or accept magnetic media such as CD, diskette (still!) or electronic filing
- Some states do not require filing
- Using SSA’s BSO to File
  - W-2s
    - For smaller companies or EINs do it online
    - Larger companies can upload file
  - W-2cs
    - Can file them independent of W-2s
Due January 31

Due February 28 (or last day) if on paper; electronic if more than 250

Do not need to be filed with state (ME if on paper)

No state income tax
Form W-2 Electronic Filing Requirements

- If 250 or more:
  - All must file electronically

- If 100 or more:
  - Electronic filing not required

- If 50 or more:
  - Form not required to be submitted

- If 25 or more:
  - No state income tax

- If 10 or more:
  - Electronic filing not required

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Correcting the Form W-2

- If prior to processing
  - then correct the original

- If prior to disbursement to the employee
  - Then correct the original

- If after given to employee but not yet submitted to SSA
  - Then replace the original and correct the “employer submission version”
When to Use Form W-2c

- If the Form W-2 has been given to employee and submitted to SSA then issue Form W-2c
- If given to employee but the file is not correctable
- Be sure to use 8-2014 version
Electronic Forms W-2 to Employees

- Software or website specs will vary
- Employee must consent—electronic consent even if consenting on paper
- Big stumbling block is disclosure requirements
- Statement can be furnished on the web if employee given access info
- See link section – IRS code

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Disclosure Requirements

- May get paper if they want it
- How long will the consent last
- Procedure for paper copy after giving consent
- How to withdraw consent and how it is confirmed
- Conditions on when electronic Form W-2 is not available
- Procedures for updating contact info for employee
- Employer must notify if changes in contact info for employer
Duplicate Form W-2

- Announce procedures in advance to employees
- Create form for employees to use
- Employers are not prohibited from charging a fee for the issuance of duplicate Form W-2 per IRS Code
- Nothing in the regulations require a duplicate form to be on paper
- No disclosure required for duplicate forms
- May require employee to download—should furnish printer and computer to use just in case
Sample Request For Duplicate Form W-2 for Tax Year: 2017

Please return this form to: Petrie Plastics Company Inc.
Payroll Department M/S 406
1402 Bonny Meadow Road
Anytown, NY 01014
Fax: 123-45-6789
E-mail: payroll@petrieplastics.com

Please issue a duplicate copy of the Wage and Tax Statement (Form W-2) for the following employee:

Employee Name: __________________________________________________________
Social Security No: _________________
Badge # (for current employees):__________
Distribution of Form: (Circle One)   Pick-Up From Payroll  Mail Form
Mail Form To: __________________________________________________________
City ___________________________ State ___________ ZIP Code __________
Reason For Request: (circle one)  Never Received  Lost/Misplaced/Destroyed
Signature of Employee: _____________________________________________

If requesting form be mailed please provide copy of picture identification such as driver’s license (former employees) or ID badge (current employees) along with this request form. If picking up the duplicate Form W-2 in person, please be prepared to show picture ID such as a driver’s license (former employees) or your ID badge (current employees). Allow five business days to process your request.

For Payroll Department Use Only:
Date request received: ____________
Date form mailed to employee: _______
Received by employee: ___________________________
Signature of Employee: __________________________
If you fail to file a correct Form W-2 by the due date and cannot show reasonable cause you may be subject to a penalty as provided under section 6721:

- Fail to file timely
- Fail to include all information required to be shown on Form W-2
- Include incorrect information on Form W-2
- File on paper forms when you are required to e-file
- Report an incorrect TIN
- Fail to report a TIN
- Fail to file paper Forms W-2 that are machine readable
- Using a reporting agent or payroll service does not relieve employer of penalty
Penalties In Effect 2017-2018

- Penalty based on when correct Form W-2 is filed

- Per Form W-2:
  - $50 (up from $30) if filed within 30 days (March 30 if due date is February 28) (same for 2018)
  - $100 (up from $60) if filed more than 30 days but by August 1st (same for 2018)
  - $260 (up from $100) if filed after August 1st or if not filed at all (increases to $270 for 2018)
De minimis Errors

- Due to the new due date, penalties for errors have been updated
- Even if you can’t show reasonable cause you may not be penalized of small number of errors if:
  - Filed forms on time
  - Either failed to include information or included incorrect information
  - Filed corrected returns by August 1
- >10 or ½ of 1% to total forms filed
- Does not apply to TIN, payee surname or $ amount
De minimis Errors

- Incorrect $ amounts may fall under safe harbor
- No single amount in error differs from the correct amount by more than $100
- No single amount reported for tax withheld differs from the correct amount by more than $25
- If safe harbor applies you do not have to correct form...
- Unless employee asks for corrected form
Forms W-2 must be kept for:

- Four years after the date the tax becomes due
- Or
- The date the tax is actually paid (if later) for the return period to which the records relate

Keep for 4 years any forms that were undeliverable unless you can reproduce them electronically after 4 years

Do not send undeliverable forms to SSA
Electronic W-2 to Employees: 26 CFR § 31.6051-1(j)

PDF on Filing electronically:
http://www.socialsecurity.gov/employer/bsohbnew.htm

Info on verifying social security numbers on line:
http://www.socialsecurity.gov/employer/ssnv.htm

PDF on Verifying social security numbers and names:
http://www.socialsecurity.gov/employer/ssnvs_handbk.htm

Social Security Administration Business Services Online:
http://www.socialsecurity.gov/pgm/business.htm
Questions
Ascentis Payroll gives you a lot of control for your year end W-2 form filings.

- Wizards that are run with each quarterly filing advises you early of wage and tax issues that may potentially cause problems on W-2 forms so you can make changes and corrections without needing amendments during crunch time.
- A W-2 wizard walks you through verification of both employer and employee W-2 form data as well as walks you through wage balancing steps.
- Catch and correct problems BEFORE W-2s are filed so you don’t have lots of corrected W-2C forms to worry about.
To earn RCH credit you must

Stay on the webinar, online for the full 60 minutes

Be watching using your unique URL

Certificates delivered by email, to registered email, by February 16th
On-Demand Webinars

Watch from anywhere, at anytime, at no cost to you!
Elegant Human Capital Management Software Solutions for Businesses Focused on Efficiency and Accuracy

Feature Rich
Integrated Modules
Ultimate Flexibility

Powerful Integrated HCM Solutions for the Mid-Market