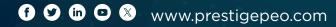
W-2 FORM BREAKDOWN





Interpreting the Income Boxes on the Form W-2

Box 3 - Social Security wages Earnings paid to the employee that are subject to Social Security tax. (This amount does not include tips.)		Box 1 - Wages, tips, and other compensation Gross taxable wages paid to the employee (salary, wages, tips, bonuses, and/or commissions).		Box 5 - Medicare wages and tips Earnings paid to the employee that are subject to Social Security tax. (This amount	
				does not include tips.)	
	Copy B – To Be Filed With En FEDERAL Tax Return.		41-0852411 OMB No. 1545-0008		
	123-45-6789	50000.00 al security wages 4 S	ederal income tax withheld 5000 iocial security tax withheld	.00	
	b Employer ID number (EIN) 12-1234567	47000.00 licare wages and tips 6 M 50000.00	1edicare tax withheld 725		
	c Employer's name, address, and ZIP co	de			
	Company ABC 123 35th St, 6th Ave				
	d Control number R2D2				
	e Employee's name, address, and ZIP of John Smith	ode		Suff.	
	456 Example Street New York, NY 10018				
7 Social security tips		8 Allocated tips)		
	3000.00 10 Dependent care benefits	L1 Nonqualified plans	2a Code See inst. for box 12		
	13 Statutory employee 14 Other Retirement plan		2b Code .2c Code		
	Third-party sick pay		2d Code		
	NY 121234567	50000.00) 153	5.00	
	15 State Employer's state ID number 18 Local wages, tips, etc.	16 State wages, tips, etc.	17 State income tax 20 Locality name		
	• 50000.00	750.00	New Y		
	Form W-2 Wage and Tax Statement This information is being furnished to the		Dept. of the Treasury - www.irs.go		
Box 7 - Social Sect Tips earned by the er are subject to Social (Box 3 + Box 7 = Box	mployee that Security tax.	Box 18 - Local wages, Gross taxable wages pa employee that are subje local tax (might not equ	aid to the ect to	Box 16 - State wages, tips, et Gross taxable wages paid to the employee that are subject to the state's tax (might not equal Box 1	



Form W-2 versus Final Pay Stub

Understanding the difference between a final pay stub and Form W-2 is important. When employees receive their W-2, they might notice the earnings on their last paycheck stub are different from the reported earnings on their W-2.

Typically, this is attributed to one of three different scenarios:

• The company offers health insurance that is a pre-tax deduction.

This is the most common reason for the employee's pay stub earnings to be different from those on the Form W-2. If the employee participated in the company's pre-tax health insurance, the taxable wages in Boxes 1, 3, 5, 16 and 18 will be lower than the amount of the pre-tax health insurance deduction. Pre-tax deductions lower the gross wages by the annual amount of the deduction.

Example: Jane's gross wages are 30,000, but during the year she contributed 3,000 to a pre-tax health insurance deduction. Jane's taxable Form W-2 wages are 27,000. (30,000 - 3,000 = 27,000)

• Participation in a company-sponsored retirement plan.

These types of plans, such as a 401(k), reduce only the taxable Federal and State and local wages. It does not reduce Social Security and Medicare taxable. Those amounts are reported in Boxes 1 and 16 and 18 (if applicable).

Example: Sondra's gross wages are \$30,000, but over the course of the year she contributed \$2,500 towards her 401(k) retirement. Sondra's federal and state Form W-2 wages are \$27,500. (30,000 - 2,500 = 27,500)

• Earnings include non-taxable income items:

Non-taxable income can include reimbursement for mileage or other non-taxable expenses the employee incurred that were reimbursed to the employee in a payroll. As a result, the gross wages on the employee's pay stub often differ from the Boxes 1, 3, 5, 16 and 18 wages on the Form W-2 because the non-taxable item lowers the gross taxable wages.

Example: Maurice's gross wages are \$30,000, but over the course of the year, he received \$2,000 towards a non-taxed car allowance. Maurice's taxable Form W-2 wages are \$28,000. (30,000 - 2,000 = 28,000)







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