

October, 2014



## W-2 RECONCILIATION TIPS

Answering employee W-2 inquiries is much easier once you know the elements used to determine the taxable wages on the W-2. Listed below are the most common pay elements used to determine an employee's taxable wages.

### Box 1: Wages, Tips and Other Compensation

**Gross Earnings** (Includes taxable fringe benefits and tips)

- Minus Federal Tax Exempt Wages
- Minus Deferred Compensation - 401K, 403B, 457 Retirement plans
- Minus Cafeteria 125 Benefits (May vary based on the benefit and state) - Pretax Health Insurance, Pretax Dental Insurance, Flexible Spending Health Account, Dependent Care up to \$5,000, etc.
- Includes Group-Term Life Insurance (cost of coverage over \$50,000)
- Includes Third Party Sick Pay
- Includes Dependent Care in excess of \$5,000
- Includes Other Compensation

### Box 3: Social Security Wages

**Gross Earnings** (Includes taxable fringe benefits and tips)

- Minus Social Security Exempt Wages (amount over \$117,000 for 2014)
- Minus Tips (Social Security Tips must be reported separately in Box 7)
- Minus Cafeteria 125 Benefits (May vary based on the benefit and state) - Pretax Health Insurance, Pretax Dental Insurance, Flexible Spending Health Account, Dependent Care up to \$5,000, etc.
- Includes Group-Term Life Insurance (cost of coverage over \$50,000)
- Includes Third Party Sick Pay
- Includes Dependent Care in excess of \$5,000

### Box 5: Medicare Wages and Tips

**Gross Earnings** (Includes taxable fringe benefits and tips)

- Minus Cafeteria 125 Benefits (May vary based on the benefit and state) - Pretax Health Insurance, Pretax Dental Insurance, Flexible Spending Health Account, Dependent Care up to \$5,000, etc.
- Includes Group-Term Life Insurance (cost of coverage over \$50,000)
- Includes Third Party Sick Pay
- Includes Dependent Care in excess of \$5,000

### Box 16: State Wages, Tips, Etc.

**Gross Earnings** (Includes taxable fringe benefits and tips)

- Minus State Exempt Wages
- Minus Deferred Compensation -(May vary by state)
- Minus Cafeteria 125 Benefits (May vary based on the benefit and state) - Pretax Health Insurance, Pretax Dental Insurance, Flexible Spending Health Account, Dependent Care up to \$5,000, etc.
- Includes Group-Term Life Insurance (cost of coverage over \$50,000 - May vary by state)
- Includes Third Party Sick Pay (May vary by state)
- Includes Other Compensation (May vary by state)

# REVIEW FOR ACCURACY

We also recommend that you review the following boxes for accuracy.

## Box 12: Deferred Compensation & Other Compensation

There are several types of compensation and benefits that can be reported in box 12. Box 12 will report a single letter or double letter code followed by a dollar amount. Refer to the [W-2 Box Descriptions](#) under the Year End Information section for the correct letter code for each compensation type.

- Confirm that any retirement plans such as 401K, 403b or Roth are coded in this box.
  - Federal contribution limit in 2014 is \$17,500
  - Employee's age 50 and older can contribute an additional \$5,500.
- Group Term Life over \$50,000
- Health Savings Accounts
- Stock Options
- Box 12DD - Total Employee and Employer Healthcare Premium

## Box 13: Checkboxes

Box 13 is one of the most commonly over looked sections on the W-2.

- **Statutory Employee**
  - This box is checked to indicate that the employee is a statutory employee. Statutory employees are not subject to federal taxes, but are responsible for FICA.
- **Retirement Plan**
  - This box is checked to indicate that an employee was either eligible for or contributed to a retirement plan.
- **Third Party Sick Pay**
  - This box is checked to indicate that an employee received sick payments made by a third party.

## Box 14: Other

Box 14 is often referred to as the "catch all" box. This box is used to display any type of information you want to share with your employee. Common examples of amounts shown in box 14 include:

- Union dues
- Uniform payments
- Auto Allowance
- Nontaxable income
- Travel reimbursement

Questions or comments? E-mail us at [service@Paylocity.com](mailto:service@Paylocity.com) or call 847.956.4850 or 888.873.8205

**Deadline for reporting all information to be recorded in 2014 is  
4:00 PM CST on December 31, 2014**