

Form W-2

Copies and Boxes A-F

Here's a line-by-line guide to reading your Form W-2.

Form W-2, Wage and Tax Statement, comes in a variety of sizes, shapes, and formats. The format you see will depend on your employer's payroll processing. Regardless of the format, every Form W-2 contains the same information.

Knowing how to read a Form W-2 can help you understand your salary, and also help you get a head-start when preparing your taxes.

Copies of Form W-2

Copy A – For the Social Security Administration. Your employer will mail or electronically transmit Copy A of your Form W-2 to the Social Security Administration. The SSA will share this information with the Internal Revenue Service.

Copy B – Attach this copy to your Federal Income Tax Return (such as Form 1040). If you are e-filing your tax return, keep Copy B with your tax documents for at least four years.

Copy C – Keep this copy of your Form W-2 with your tax documents for at least four years. For safekeeping, staple Copy C to the first page of your federal tax return so you can easily find it.

Copy 1 – For the State, City, or Local tax agency Your employer will mail Copy 1 to your state or local tax department.

Copy 2 – Attach this copy to your State, City, or Local income tax return. If you are e-filing these tax returns, keep Copy 2 with your tax documents for at least four years.

Copy D – This copy is kept by the employer. Companies are required to keep copies of Form W-2 for a minimum of four years.

Employer and Employee Identification (Boxes A through F)

Box A: Control Number. This is a code that identifies this unique Form W-2 document in your employer's records. This number is assigned by the company's payroll processing software.

Box B: Employer Identification Number (EIN). This is your employer's unique tax identification number.

Box C: Employer's Information. This identifies the name, address, city, state, and zip code of your employer. The address may show your company's headquarters rather than their local address.

Box D: Employee's Social Security Number. This is your Social Security Number. If this number is incorrect, take your Social Security card to your company's human resources or payroll department and ask them to correct it and issue you a new Form W-2.

Box E: Employee's Name. This identifies your full name (first name, middle initial, and last name). If your name has changed, you might want to ask your company to update their records with your new name, and re-issue your W-2.

Box F: Employee's Address. This identifies your address, city, state, and zip code. If you have recently moved, the address might be a former address.

Form W-2

Boxes 1-10 of Form W-2

Box 1: Wages, tips, and other compensation. Box 1 reports your total taxable wages for federal income tax purposes. This figure includes your wages, salary, tips you reported, bonuses, and other taxable compensation. Any taxable fringe benefits (such as group term life insurance) are also included in your Box 1 wages.

Box 2: Federal income tax withheld. Box 2 reports the total amount withheld from your paychecks for federal income taxes. This represents the amount of federal taxes you have paid-in throughout the year.

Box 3: Social Security wages. Box 3 reports the total amount of wages subject to the Social Security tax. The Social Security tax is assessed on wages of \$106,800 or less. This limit is called the [Social Security wage base](#). If Box 3 shows an amount over \$106,800, you will need to have your employer correct your W-2. If your total wages are under \$106,800, then the amounts reported in Boxes 1 and 3 should be the same. Tips reported to your employer are not included in the Box 3 amount. Tip income is reported in Box 7. The amounts in Box 3 and Box 7 should equal either the amount in Box 1 or the \$106,800 maximum wage base for Social Security taxes.

Box 4: Social Security tax withheld. Box 4 reports the total amount of Social Security taxes withheld from your paychecks. Normally, the [Social Security tax](#) is a flat tax rate of 6.2% on your wage income, up to a maximum wage base of \$106,800 (for 2011). However for 2011 only, the [Social Security tax rate for employees is reduced to 4.2%](#). Wages above \$106,800 are not subject to the Social Security tax. Accordingly, the maximum figure shown in Box 4 should be \$4,485.60 (\$106,800 maximum wage base times 4.2%).

If you have two or more jobs during the year, and your total wages exceed \$106,800, you may have paid-in too much Social Security tax. You will claim the [excess Social Security tax withholding](#) as a credit on your Form 1040.

Box 5: Medicare wages and tips. Box 5 reports the amount of wages subject to Medicare taxes. There is no maximum wage base for [Medicare taxes](#). The amount shown in Box 5 may be larger than the amount shown in Box 1. Medicare wages includes any deferred compensation, 401(k) contributions, or other fringe benefits that are normally excluded from the regular income tax. In other words, the amount in Box 5 typically represents your entire compensation from your job.

Box 6: Medicare tax withheld. Box 6 reports the amount of taxes withheld from your paycheck for the Medicare tax. The Medicare tax is a flat tax rate of 1.45% of your total Medicare wages.

Box 7: Social Security tips. Box 7 reports the amount of tip income that you reported to your employer. If you did not report tips to your employer, you will not have an amount in this box. The amounts in Box 7 and Box 3 should add up to the amount in Box 1, or the \$106,800 maximum wage limit for Social Security taxes.

Box 8: Allocated tips. Box 8 reports any tip income that your employer thinks you may have earned, but failed to report. This amount is not included in the wages reported in Boxes 1, 3, 5, or 7. Instead, you must add this to your taxable wages on Form 1040 Line 7, and must calculate your Social Security and Medicare taxes on this tip income using [IRS Form 4137](#) (PDF). Taxpayers with any amount shown in Box 8, Allocated Tips, should [seek the advice of a tax preparer](#) to figure out the best strategy for handling this situation. Employees with allocated tips must file Form 1040.

Box 9: No longer used. Box 9 was used to report any advance of the Earned Income Credit. The [advance earned income credit ended in 2010](#), and Box 9 is shaded on the 2011 version of Form W-2. Advance EIC payments were advance payments from an employer to an employee in anticipation of being eligible for the [earned income credit](#). For years 2010 and previous, advance EIC payments are reported on Form 1040 as an additional tax payment, where it mathematically offsets the total amount of EIC you will receive as a tax refund. Employees who received advance EIC payments must file Form 1040A or Form 1040.

Box 10: Dependent Care Benefits. Box 10 reports any amounts reimbursed for dependent care expenses, or the dollar value of dependent care services provided by your employer. Amounts under \$5,000 are non-taxable benefits. Any amount over \$5,000 is reported as taxable wages in Boxes 1, 3, and 5. Non-taxable benefits must be excluded from expenses claimed for the child and dependent care tax credit on [IRS Form 2441](#) (PDF).

Form W-2

Boxes 11-20 of Form W-2

Box 11: Nonqualified Plans. Box 11 reports any amounts distributed to you from your employer's non-qualified deferred compensation plan or non-government Section 457 pension plan. The amount in Box 11 is already included as taxable wages in Box 1.

Box 12: Deferred Compensation and 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. [Here are the codes for Box 12.](#)

Box 13: Check the Box. There are three check boxes in Box 13. Boxes will be checked off if any of these situations apply to you as an employee.

Statutory employee means that you must report the wages from this W-2 (and any other W-2 forms marked "statutory employee") on Form 1040 Schedule C. Your wages are not subject to income tax withholding (there will be a zero or blank amount in Box 2), but are subject to Social Security and Medicare taxes (so Boxes 3 through 6 will be filled out). I highly encourage statutory employees to use tax preparation software to calculate their taxes.

Retirement plan means that you participated in your employer's retirement plan during the year. This might be a 401(k) plan, profit-sharing plan, or pension plan. As a participant in a retirement plan, your ability to contribute to a [tax-deductible traditional IRA](#) may be limited.

Third-party sick pay means that you received sick pay under your employer's third-party insurance policy. (Instead of receiving sick pay directly from your employer as part of your regular paycheck.) Sick pay is not included in your taxable wages.

Box 14: Other Tax Information. Your employer may report additional tax information in Box 14. If any amounts are reported, they will have a brief description of what the amounts are for. For example, union dues, employer-paid tuition assistance, or after-tax contributions to a retirement plan will be reported here. Some employers report certain state and local taxes in Box 14, such as State Disability Insurance (SDI) premiums.

Box 15: State and State Employer's Identification. Box 15 reports your employer's state and state tax identification number. If you worked for the same employer in multiple states, there may be multiple lines of information.

Box 16: State wages. Box 16 reports the total amount of taxable wages earned in that state. If you worked for the same employer in multiple state, there may be multiple lines of information.

Box 17: State income tax withheld. Box 17 reports the total amount of state income taxes withheld from your paychecks for the wages reported in Box 16.

Box 18: Local wages. Box 18 reports the total amount of wages subject to local, city, or other state income taxes.

Box 19: Local income tax withheld. Box 19 reports the total amount of taxes withheld from your paychecks for local, city, or other state income taxes.

Box 20: Locality name. Box 20 provides a brief description of the local, city, or other state tax being paid. The description may identify a particular city, or may identify a state tax such as State Disability Insurance (SDI) payments.

Form W-2

Form W-2 Box 12: Deferred Compensation and 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. Here are the codes for Box 12:

- Code **A** – Uncollected Social Security or RRTA tax on tips. Include this amount as part of your total tax on Form 1040.
- Code **B** – Uncollected Medicare tax on tips. Include this amount as part of your total tax on Form 1040.
- Code **C** – Taxable benefit of group term-life insurance over \$50,000. This amount is already included as part of your taxable wages in Boxes 1, 3, and 5.
- Code **D** – Non-taxable elective salary deferrals to a 401(k) or SIMPLE 401(k) retirement plan.
- Code **E** – Non-taxable elective salary deferrals to a 403(b) retirement plan.
- Code **F** – Non-taxable elective salary deferrals to a 408(k)(6) SEP retirement plan.
- Code **G** – Non-taxable elective salary deferrals and non-elective employer contributions to a 457(b) retirement plan.
- Code **H** – Non-taxable elective salary deferrals to a 501(c)(18)(D) tax-exempt plan.
- Code **J** – Non-taxable sick pay. This amount is not included in taxable wages in Boxes 1, 3, or 5.
- Code **K** – Excise tax (equal to 20%) on excess "golden parachute" payments. Include this amount as part of your total tax on Form 1040.
- Code **L** – Non-taxable reimbursements for employee business expenses.
- Code **M** – Uncollected Social Security or RRTA tax on taxable group term life insurance over \$50,000 for former employees. Include this amount as part of your total tax on Form 1040.
- Code **N** – Uncollected Medicare tax on taxable group term life insurance over \$50,000 for former employees. Include this amount as part of your total tax on Form 1040.
- Code **P** – Non-taxable reimbursements for employee moving expenses, if the amounts were paid directly to the employee.
- Code **Q** – Non-taxable combat pay. Some individuals may elect to include combat pay when calculating their [Earned Income Credit](#).
- Code **R** – Employer contributions to an Archer Medical Savings Account. This amount should be reported on IRS Form 8853.

- Code **S** – Non-taxable salary deferral to a 408(p) SIMPLE retirement plan.
- Code **T** – Employer paid adoption benefits. This amount is not included in Box 1 wages. You must use IRS Form 8839 to calculate the taxable and non-taxable portion of these adoption benefits.
- Code **V** – Income from the exercise of non-statutory stock options. This amount is already included as taxable income in Boxes 1, 3, and 5. However, you will still need to report separately the sale of any stock options on Schedule D.
- Code **W** – Employer contributions to your Health Savings Account. Report this amount on IRS Form 8889.
- Code **Y** – Salary deferrals under 409A non-qualified deferred compensation plan.
- Code **Z** – Income received under 409A non-qualified deferred compensation plan. This amount is already included in taxable wages in Box 1. This amount is subject to an additional tax of 20% plus interest as part of your total tax on Form 1040.
- Code **AA** – After-tax contributions to a Roth 401(k) retirement plan.
- Code **BB** – After-tax contributions to a Roth 403(b) retirement plan.
- Code **DD** – Reports the cost of health insurance provided through your employer.
- Code **EE** After-tax contributions to a Roth 457(b) retirement plan offered by government employers.

http://taxes.about.com/od/formw2/a/IRSFormW2_2.htm

Form W-2

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By William Perez, About.com Guide