



Form W-4 and Form W-2 What do I Need to Know?

Presented by
Internal Revenue Service
Federal, State and Local Governments
Pacific Area Group



Form W-4 and Form W-2 What do I Need to Know?

Presenters



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Form W-4 Employer Responsibilities

- Secure a valid Form W-4 from each employee
- Withhold at Single/Zero if employee does not provide Form W-4 or if it is invalid
- Retain Forms W-4 for 4 years
- Provide Forms W-4 to IRS upon request



What is an Invalid Form W-4?

- Any changes to the Form W-4
- Any employee-created Form W-4 (created after 10-10-2007)
- Employee indicates it is false or you know it to be false
- Checked exempt box and # on line 5 or \$ on line 6
- Exempt form from prior year after 2-15

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Invalid Form W-4 What Do I Do?

- Have employee complete a new form
- Use a valid form from a previous year
- Withhold at single and zero rate until employee submits a valid form

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What if Employee Wants to Change Withholding?

- Employees can amend Form W-4 if situations change
- Pay As You Go system
- Employer time frame to enact a new valid form – see Publication 15
- Employees – see Publications 505 and 519

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Form W-4

Change Implementation Example

- A town has weekly payroll periods and the last payroll period ended on June 25th.
- On July 2nd, an employee submits a new Form W-4.
- The old Form W-4 was for married with 4 allowances.
- The new Form W-4 is for married with 7 allowances.

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Form W-4

Change Implementation Example

- Thirty days from the date you received the new form will be August 1st.
- The first payroll period ending on or after August 1st ends on August 6th.
- You must use the new allowances to determine withholdings for the pay period ending August 6th.
- You can implement the changes sooner but no later than August 6th.

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Form W-4

Non-Resident Alien Employees

Nonresidents refer to:

- Notice 1392 and Form 8233

Additional Form W-4 rules:

- Claim Single, 1 or 0 exemptions only
 - Line 6 "NRA" or "Non-Resident Alien"
 - Tax Treaty exemption – Form 8233
- See Pub 519 for more information

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Form W-4 Non-Resident Alien Employees

Employer is responsible for:

- Withholding calculations
- Include the additional step
- Refer to IRS Publication 15 (Section 9)

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Supplemental Wages Paid Separately From Regular Wages

EmployER's Choices:

- **First choice:** Withhold at a flat 25% rate.
- **Second choice:**
 - Add supplemental wages and regular wages from the prior or subsequent pay period.
 - Calculate the income tax withholding like the total of the regular wages and supplemental wages is one payment.
 - Subtract what the tax would be from the regular wages
 - Withhold the remaining tax from the supplemental wages.

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Form W-2 – Common Errors

- Omitting decimal points
- Entries are too light
- Using other than 12 point courier font
- Adding dollar signs
- Unchecked Retirement Plan box
- Employee name not in proper format
 - First name & initial in first box
 - Surname in second box
- See Form W-2 instructions

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Form W-2 – Special Boxes

Boxes 12a-12d:

- Issue a second form W-2 for employee if more than 4 box 12 entries are required.
- Enter the code in the box to the left of the vertical line.
- If you need to enter a year, use the last 2-digits of the year.

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Filing Additional Form W-2 Due to Excessive Box 12 Entries

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Form W-2 – Box 12 Common Code Entries

- C: Taxable Group Term Life Insurance (GTLI)
- M & N: Uncollected FICA & Medicare on GTLI
- L: substantiated per diem or mileage allowances when there are Unsubstantiated amounts
- P: Excludible Moving Expense reimbursements

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Form W-2 – Box 12 Common Code Entries

- T: Adoption benefits
- W: Employer Contributions to HAS (EE contributions through § 125)
- DD: Employer-Sponsored Health Coverage

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Form W-2 – Box 12 Common Code Entries

ELECTIVE DEFERRALS

- Code D for 401(k) plan
- Code E for 403(b) plan
- Code BB for designated Roth Contributions under a 403(b) plan
- Code EE for designated Roth contributions under a governmental section 457(b) plan

Do NOT report NON-elective deferrals under these codes
Elective and Non-Elective Deferrals

- Code G for 457(b) plan amounts not subject to forfeiture

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Form W-2 Retirement Plan Checkbox

Box 13-Active participant in:

- 401(a) or (k)
- 403(a) or (b)
- 408(k) or (p)
- Federal, state and local government plans, except 457(b)

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Form W-2 Deceased Employee Wages

Payment made in year of death?

- Boxes 3 and 5 wages with boxes 4 and 6 withholdings; no wages in box 1;
- File Form 1099-MISC with wages in box 3 to estate or beneficiary

Payment made after year of death?

- No Form W-2; no Social Security or Medicare withholding;
- File Form 1099-MISC box 3; to estate/beneficiary

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Resources

Form W-4

- www.irs.gov – tax topic 753
- Form W-4 and Instructions
- Publication 15 and Publication 15-A

Form W-2

- www.irs.gov – tax topic 752
- Instructions for form W-2 and W-3
- Publication 15 and Publication 15-B

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Need Forms?

- IRS website at www.irs.gov
- Order multiple Forms W-4 at: <http://www.irs.gov/Businesses>,
- Select: [Online Ordering for Information Returns and Employer Returns](#).
- Order paper Forms W-4 by calling
1-800-Tax Form (1-800-829-3676)

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Questions?



Forms W-4 & W-2: FSLG/Pacific Area

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