

**2021**

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# 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.)

<b>Copy B – To Be Filed With Employee's FEDERAL Tax Return.</b>		41-0852411 OMB No. 1545-0008	
<b>a</b> Employee's soc. sec. no. 123-45-6789	<b>1</b> Wages, tips, other comp. 50000.00	<b>2</b> Federal income tax withheld 5000.00	
<b>b</b> Employer ID number (EIN) 12-1234567	<b>3</b> Social security wages 47000.00	<b>4</b> Social security tax withheld 3100.00	
<b>c</b> Employer's name, address, and ZIP code Company ABC 123 35th St, 6th Ave New York, NY 10018	<b>5</b> Medicare wages and tips 50000.00	<b>6</b> Medicare tax withheld 725.00	
<b>d</b> Control number R2D2			
<b>e</b> Employee's name, address, and ZIP code John Smith 456 Example Street New York, NY 10018			
<b>7</b> Social security tips 3000.00	<b>8</b> Allocated tips	<b>9</b>	
<b>10</b> Dependent care benefits	<b>11</b> Nonqualified plans	<b>12a</b> Code See inst. for box 12	
<b>13</b> Statutory employee	<b>14</b> Other	<b>12b</b> Code	
Retirement plan		<b>12c</b> Code	
Third-party sick pay		<b>12d</b> Code	
NY 121234567	50000.00	1535.00	
<b>15</b> State Employer's state ID number	<b>16</b> State wages, tips, etc.	<b>17</b> State income tax	
<b>18</b> Local wages, tips, etc. 50000.00	<b>19</b> Local income tax 750.00	<b>20</b> Locality name New York	

**Form W-2 Wage and Tax Statement 2021**  
This information is being furnished to the Internal Revenue Service.

Dept. of the Treasury -- IRS  
[www.irs.gov/efile](http://www.irs.gov/efile)

### Box 7 - Social Security wages

Tips earned by the employee that are subject to Social Security tax. (Box 3 + Box 7 = Box 1)

### Box 18 - Local wages, tips, etc

Gross taxable wages paid to the employee that are subject to local tax (might not equal Box 1)

### Box 16 - State wages, tips, etc.

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

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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. ( $30,000 - 3,000 = 27,000$ )

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- **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. ( $30,000 - 2,500 = 27,500$ )

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- **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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