

2022

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 Employee's FEDERAL Tax Return. 41-0852411 OMB No. 1545-0008

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

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

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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