

2023

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. | | Employee's | | 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 | | | |
| | 5 Medicare wages and tips 50000.00 | 6 Medicare tax withheld 725.00 | | | |
| c Employer's name, address, and ZIP code Company ABC 123 35th St, 6th Ave New York, NY 10018 | | | | | |
| d Control number R2D2 | | | | | |
| e Employee's name, address, and ZIP code John Smith 456 Example Street New York, NY 10018 | | | | | |
| 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 | 50000.00 | | 1535.00 | |
| 15 State Employer's state ID number | | 16 State wages, tips, etc. | | 17 State income tax | |
| 18 Local wages, tips, etc. 50000.00 | | 19 Local income tax 750.00 | | 20 Locality name New York | |

Form W-2 Wage and Tax Statement 2023
This information is being furnished to the Internal Revenue Service.

Dept. of the Treasury -- IRS
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

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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