

2012 W-2 Processing Handout 3

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2012 W-2 Processing Detail

A. CURRENT CHANGES

ELECTRONIC FILE

For a complete list of changes, refer to the Social Security publication **Specifications for Filing Forms W2 Electronically (EFW2)** for Tax Year 2012 located on the Social Security's website (www.socialsecurity.gov). For tax year 2012, the following change occurred:

1. A new field for the Cost of Employer-Sponsored Health Coverage has been added to the RW record in positions 463-473 and the RT record in positions 295-309. This is no longer optional.

W-2 FORM

For a complete list of form changes refer to the **2012 Instructions for Forms W-2 and W-3** located on the Internal Revenue Services' website (www.irs.gov).

1. The W-2 forms had minimal changes for tax year 2012 (only the tax year). Any site that generates their own W-2 forms should visit www.irs.gov for sample forms.

B. REMINDERS

1. The social security wage base for tax year 2012 is \$110,100.
2. The social security wage base for tax year 2013 is ????????
3. FICA taxes are withheld at 4.2% (up to \$110,100 of employee wages) for tax year 2012.
4. FICA taxes are withheld at ?.% (up to ??????? of employee wages) for tax year 2013.
5. Medicare taxes are withheld at 1.45 % on all wages.
6. The 2013 Circular E Publication 15 is available through the Internal Revenue Services' website (www.irs.gov) but is not available as of 12/06/12.
7. Beginning Tax Year 2006, the Social Security Administration will only accept files submitted electronically. Mailing physical media (round tape, cartridge, diskette, CD) is no longer an acceptable filing method. If unable to electronically submit your file, contact the Social Security Administration for an alternative submission method.
8. Indiana accepts W-2's and 1099R's by electronic file.
9. Make sure each data file is complete (Code RA through RF records).

C. FUTURE CHANGES

As far as we know, there are no future changes listed in the Social Security Administration Publication No. 42-007.

D. W-2 Preparation

It is important for you to be prepared as much as possible for the W-2 requirements and deadlines. You can run a preliminary worksheet at any time throughout the year to correct the common W-2 errors that may exist. Some of these errors are described below:

1. **Social Security Number Errors:** Social security numbers cannot begin with the numbers 8 or 9 and they cannot contain all zeroes. Correct invalid social security numbers on the employee's Personnel screen (Personnel F1/Payroll F2-2). Two reporting options are available to generate a list of employee social security numbers for your review. The Employee Summary List (Payroll F8-1) will print all employees and the Social Security List (Payroll F8-24) will print a list of active employees only.

IMPORTANT: In order for social security numbers to print on reports set the "Should Social Security #'s be printed on internal reports" field to a Y. This field is located on the System Options screen in Payroll F14-21-12-7.

2. **Duplicate Social Security Number Errors:** Generally, this is caused when an employee has multiple employee numbers. When this situation exists, the system will attempt to merge the history information together for the purpose of producing a single W-2 form. During the merge process, the system compares records containing the same social security number for differences between the

records containing the same social security number for differences between the employee names. If the names are not identical (including punctuation) an error will be reported. If this error occurs, modify the employee's Personnel screen (Personnel F1/Payroll F2-2) for each employee number until all names are an exact match.

3. **Negative Amount Errors:** W-2's may not contain any negative amounts. There are two basic reasons for which this might occur:
 - a) A history adjustment record was entered incorrectly. All adjustments can be reviewed by running the Print Employee Wage Adjustments report (Payroll F2-12-8).
 - b) A regular pay adjustment had been done incorrectly in the past. Identify the transaction in error and correct either through the next payroll process (if the current calendar year is not over) or correct with an earnings history adjustment record.
4. **Possible Merge Reason:** Taxable County vs. Non-Taxable County Merge: An employee will be issued 2 W-2's if they moved from a taxable county to a different taxable county within the tax year. If an employee moves from a taxable county to a non-taxable county (or vice versa), a merge will occur and only 1 W-2 will be issued (unless other issues occur that result in 2 W-2's).
5. **Helpful Reports:** Below are some reports that could help you with balancing your W-2 worksheets.
 - a) Display Earnings Totals by Yr/Qtr (Payroll F2-12-9) provides you the ability to see on screen the totals for a single employee record or multiple records for a single employee by entering the social security number.
 - b) Print YTD Summary by Employee (Payroll F2-12-13) provides you with the ability to run a year-to-date summary by employee. The totals page on this report will summarize and total all gross amounts, deduction amounts, pension amounts, etc. There is now a breakdown by deduction type and company. There is also an option to print only employees without a specific deduction code but with gross wages for the date range specified.
 - c) Deductions Paid by Employees (Personnel F5-6) can be used to balance deductions. This report gives you the option to print either one or all employees and you have the option to identify either one or all deductions. There is also breakdown by deduction type. There is also an option for balancing non-taxable deductions. This is helpful for finding employees who are not Section 125 but have non-taxable amounts in history.

E. Deceased Employee Information:

If payments for wages occur the year following death, then wages are NOT subject to FICA or Medicare taxes and are exempt from federal taxes. If payment is made the following year after death, only a 1099-MISC must be produced with the payment being reported in box 3 of the 1099-MISC.

If an employee dies and wages ARE owed, there are two rules that apply:

- If payments for wages occur within the same year as death, then the wages are subject to FICA Taxes and Medicare Taxes and are exempt from Federal Taxes. If payment is made in the year of death, a W-2 and a 1099-MISC must be produced. Do NOT show the payment in Box 1 of the W-2. Instead, those wages will be reported on the 1099-MISC Box 3. To process this in the RDS

software:

1. Log manual check (Payroll F3-F7-F9) and log gross wages, FICA Gross, FICA Tax, Medicare Gross and Medicare Tax. (This will allow the system to log the proper entries to the financial system).
 2. After the manual check has been posted to history, log a history adjustment to reduce gross wages only (Payroll F2-12-1). The reason for the negative gross wage adjustment is because the gross wages are NOT to be reported in Box 1 of the W-2. Leave FICA Gross and Medicare Gross and FICA/Med Taxes as they are.
 3. Reset YTD figures (Payroll Govt F14-F4/Schools F14-F1-F5).
 4. Receipt the net check figure into a non-revenue account or withholding account.
 5. Mark payroll check as canceled. (Payroll F11-F4)
 6. Issue claim to the Beneficiary or Estate of the deceased in the amount of the net check and charge a non-expenditure account or the withholding account. Make sure when setting up the Beneficiary or Estate of the deceased vendor that you record a number 3 in the 1099 field (Financial F3-F2).
- If payments for wages occur the year following death, then wages are NOT subject to FICA and Medicare taxes and are exempt from Federal taxes. If payment is made the following year after death, only a 1099-MISC must be produced with the payment being reported in Box 3 of the 1099-MISC. To process this in the RDS software:
 - Log a claim in the financial system payable to the Beneficiary or the Estate of the deceased for the amount owed. Charge proper account and make sure that when you create the vendor you record a number 3 in the 1099 field. No tax payments are required and payment is exempt from Federal, FICA, and Medicare taxes.

F. Electronic File:

The electronic file layout, per the Social Security Administration publication, is available through their website at www.socialsecurity.gov.

G. Print Information and Form Descriptions:

Line-up considerations: if you are using laser forms, there are no line-up considerations. If you are using preprinted forms, you must line-up the W-2's to print just below the perforation, then select the printer to start printing. You can request the system to generate line-up forms for you, which print X's and 9's in the appropriate boxes. (Payroll F5-6, Print # of line-up forms desired: 1-99).

Helpful tips for lining up forms:

1. Use F15 to display the print file containing the W-2's to be printed. Use option 3 to hold the spooled W-2 file.
2. Use option 5 to display the print file. Determine the line number, of the first line containing the employee number to be printed.
3. Set the printer at top of form.
4. Align form to start at the first print position.
5. Use option 2 to change the print file. Set the starting line to the number determined in Step 2.
6. Use option 6 to release the print file to continue printing from the point of restart.
7. Be prepared to immediately deselect the printer if it does not appear to be lined up correctly. Make minor adjustments to the print alignment as necessary and continue.

RDS Form Indicator	Form Description	Overall Size	Detached Size
A	RDS Generated ACOM 4 Per Page, 2 Wide Prints on perforated plain stock	8.5 X 11	
G City of Gary & South Bend Schools Only	RDS Generated ACOM 4 Per Page, Wide, Mailer Prints on pressure sealed plain stock	8.5 X 14	
U	User Generated ACOM		
S	Standard Register		
4	Multi-Part, Pin-Feed, 2 Per Page, 1 Wide Prints on pre-printed stock	9.5 X 11	8.5 X 11

If you would like to laser generate W-2's via ACOM please email Andy at andy@regionaldata.com or contact Jason with ACOM at 1-800-347-3638.

H. Box Number and Name on W-2's:

On the W-2 form, there are boxes for each item to be reported. Some of the amounts must be calculated based upon amounts in the employee's earnings history record. Listed on the next page is the breakdown of certain fields that are printed, along with where the information is derived:

Box Number and Name	Derived From
1 Wages, Tips, Other Compensation	Gross + Deduction 0 – Annuities – Non-taxable – Deferred 3 rd Party Sick Pay (Box 12, Code J) + Excess Child Care

	+ Excess Deferred Compensation + Excess Special 403B + Excess Special 457
Contributions	
2 Federal Income Tax Withheld	Total Federal Tax Withheld
3 Social Security Wages	FICA Gross – Deferred 3 rd Party Sick Pay (Box 12, Code J)
4 Social Security Tax Withheld	FICA Amount Withheld
5 Medicare Wages	Medicare Gross – Deferred 3 rd Party Sick Pay (Box 12, Code J)
6 Medicare Tax Withheld	Medicare Amount Withheld
7 Social Security Tips	Always blank or zero
8 Allocated Tips	Always blank or zero
9 Advanced EIC Payment	EIC Payments
10 Dependent Care Benefits	Dependent Child Care Fringe Benefits from Deduction Code 0
11 Non-Qualified Plans	Total of Nonqualified Pension Plans
12 All information required to be coded properly: (See below)	
AA 401(k) Roth Contributions	Deductions setup as Designated Roth Contributions
BB 403(b) Roth Contributions	Deductions setup as Designated Roth Contributions
DD Employer healthcare costs	Either Benefit YTD amounts or history
EE 457(b) Roth Contributions	Deductions setup as Designated Roth Contributions
J Medicare	Non-taxable sick pay not included in boxes 1, 3, 5
C Term Life	\$50,000 group life from deduction code 0, included in boxes 1, 3, 5
D 401K	Tax Exempt 401K
E 403B	Tax Exempt 403B
F 408K	Tax Exempt 408K
G 457	Tax Exempt 457
H 501	Tax Exempt 501
M Uncollected Social Security	Uncollected Social Security on the cost of group life over \$50,000 (Type U in history)
N Uncollected Medicare	Uncollected Medicare tax on the cost of group life over \$50,000 (Type U in history)
W Health Savings Account (HSA)	Employee Sec125/Employer Contributions
Y Section 409A Deferred	
Z Section 409A Income	
13 Statutory/Retirement/3 rd Party	Boxes for “X” to indicate participation (we never use statutory)
14 Fringe Benefits	Shows deduction code 0 (zero) amounts.
Other	414 (H)
15 Name of State	Taxable State Abbreviation and employer’s state ID
16 State Wages, Tips, etc.	Gross + Deduction 0 – Annuities – Non-taxable – Deferred 3 rd Party Sick Pay (Box 12, Code J)
17 State Income Tax	Total State Tax Withheld
18 Local Wages, Tips, etc.	Gross + Deduction 0 – Annuities – Non-taxable
19 Local Income Tax	Total County Tax Withheld
20 Name of Locality	Taxable County Name

