

Understanding the W-2 Form

The W-2 form is how employers report total annual wages to their employees and to the IRS. Employees then use the form as they prepare their personal tax return for a given year.

Here's what you'll see on your W-2. Note: it's the responsibility of the employer to ensure the form is accurate and delivered by the IRS deadline.

		a Employee's social security number			
b Employer identification number (EIN)		1 Wages, tips, other compensation	2 Federal income tax withheld		
c Employer's name, address, and ZIP code		3 Social security wages	4 Social security tax withheld		
		5 Medicare wages and tips	6 Medicare tax withheld		
		7 Social security tips	8 Allocated tips		
d Control number		9 Verification code	10 Dependent care benefits		
e Employee's first name and initial		Last name	Suff.	11 Nonqualified plans	
		13 Statutory employee <input type="checkbox"/>		Retirement plan <input type="checkbox"/>	Third-party sick pay <input type="checkbox"/>
		14 Other		12a	
				12b	
				12c	
				12d	
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
					20 Locality name

a. Social Security Number

b. **Employer Identification Number (EIN):** This is an IRS-assigned, unique 9-digit number for business entities operating in the United States.

c. **Control Number:** This section is optional for employers to fill out and used only to archive individual W-2s.

1. **Wages, Tips, and other Compensation:** This will show the amount paid to an employee during the tax year before payroll deductions.

2. **Federal Income Tax Withheld:** This total represents the federal income taxes withheld from an employee's wages for the year.

3. **Social Security Wages:** This total represents an employee's wages that are subject to employee Social Security tax, excluding tips.

4. **Social Security Tax Withheld:** This number represents the employee's portion of Social Security tax withheld, including Social Security tax on tips.

5. **Medicare Wages and Tips:** The same wages and tips indicated in Section 3 (Social Security Wages) are also subject to Medicare taxes.

6. **Medicare Tax Withheld:** This section includes all employee-withheld Medicare tax, as well as any extra Medicare tax (including the employer share).

7. **Social Security Tips:** The total amount of tips that an employee reports to the employer (regardless of if the employer has enough employee funds to collect the social Security tax on these tips).

8. **Allocated Tips:** If working in the food or beverage industry, this section shows the total amount of tips allocated to the employee.

9. **Verification Code:** If going through the e-filing process, employers have the option to use a given code here. The code assists the IRS in validating the W-2 date submitted with a return.

10. **Dependent Care Benefits:** This section should only be completed if the employer paid for benefits like child care for the employee.

11. **Nonqualified Plans:** This section allows the Social Security Administration (SSA) to decide if any amounts reported in three previous sections (Wages, Tips, Compensation / Social Security Wages / Medicare Wages and Tips) were earned in a prior year, ensuring the correct amount is being paid.

12. This section is used to record compensation with special tax qualifications, such as 401k contributions. Employers must use the IRS code designated for this item.

13. **Statutory Employee, Retirement Plan, Third-Party Sick Pay:** This section acts as a checklist, via which employers can select the following, when applicable:

Statutory Employee - Check if this is a full-time employee who pays Social Security and Medicare but not federal income tax.

Retirement Plan - Check if this employee participates in an employer plan.

Sick Pay - Check if the employer needs to report 3rd-party sick pay payments.

14. **Other:** This section is for the inclusion of any additional taxes or deductions not covered elsewhere on the W-2 form.

15. Employer's State ID Number

16. **State Wages, Tips, etc.:** This represents an employee's total state taxable pay, which may or may not be the same as the amount already indicated in section 1.

17. **State Income Tax:** The total amount of an employee's state income tax withheld.

18. **Local Wages, Tips, etc.:** This represents an employee's total local taxable gross pay, if applicable. This total may or may not be the same as indicated in sections 1 or 16.

Local Income Tax: This is the amount of local income tax withheld from employee pay, if applicable.

Locality Name: This is the name or code from where the local area wages and tax are being reported.