



# Issuing IRS W-2 forms to IMRF members

Tax Letter #17 (Rev. 11/2008)

This letter explains how to fill out IRS Form W-2, “Wage and Tax Statement,” for members who make contributions to the Illinois Municipal Retirement Fund (IMRF). It summarizes information found in Section 9, *Federal Taxes/Social Security Appendix* of the IMRF Authorized Agents Manual.

The guidelines presented here are meant to supplement the information found in IRS publications. Two IRS publications that you may find helpful are:

1. IRS Publication 393, “Federal Employment Tax Forms.” This publication contains instructions for completing Forms W-2, W-3 and 941C.
2. IRS Publication 15, “Circular E, Employer’s Tax Guide.” This publication explains the employer’s responsibility for withholding, depositing, reporting and paying taxes.

## **IMRF as defined by the IRS**

The Illinois Municipal Retirement Fund is a Qualified Plan under section 401(a) of the Internal Revenue Code (IRC). IMRF member contributions are tax-deferred under IRC 414(h)(2).

## **IRS Form W-2 for Employees**

Each year employers report income and tax withholding for employees on IRS Form W-2, “Wage and Tax Statement.” Some of the amounts are affected by IMRF contributions.

### **Box 1 and Box 16 - Taxable Wages**

Standard IMRF contributions are tax-deferred, and should be subtracted from the member’s gross wages when calculating his or her taxable wage amount. The member’s taxable wage amount is further reduced if the member participates in the Tax-deferred Payroll Deduction Program (TPDP) (*if they entered into a TPDP contract before the TPDP program was discontinued*). Please review the following information for Box 1 and Box 16 when preparing the W-2:

- Subtract all tax-deferred IMRF contributions from the member’s gross wages when calculating the taxable wage amount. This includes **both** the standard contributions to IMRF (under the Regular, SLEP or ECO plans) **and** contributions under a TPDP agreement.
- Subtract all deferred compensation and tax-deferred contributions to other qualified pension plans and cafeteria plans from the member’s gross wages when calculating the taxable wage amount.

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Member Services Representatives 1-800-ASK-IMRF (1-800-275-4673)

Report this reduced amount in Box 1 (Wages, Tips, Other Compensation) and Box 16 (State Wages, Tips, etc.) on the printed W-2 and corresponding positions on the magnetic reporting record.

**Note:** Amounts deducted from a member's gross wages and reported to IMRF as "Voluntary Additional Contributions" **are not tax-deferred earnings**. These earnings are **fully taxable** in the year earned. **Do not subtract these contributions when calculating the taxable wage amount.**

Many fringe benefits are taxable to the recipient and will increase the amount reported in Box 1 and Box 16. Examples of these are premiums for term life insurance above \$50,000, the taxable portion of any tuition reimbursement, and personal use of a car provided by the employer. (See IRS Publication 393 for additional information.)

### **Box 3 - Social Security Wages**

**Do not automatically enter the same wage amount** in Box 1 (Wages), Box 3 (Social Security Wages), Box 5 (Medicare Wages), and Box 16 (State Wages). You **should not subtract** IMRF member contribution or other deferred compensation plan amounts from Social Security wages. However, you **should subtract** any contributions to a qualified 125 (cafeteria) plan from the Social Security wages.

The amount reported in Box 3 will be "\$0" for employees in positions not covered by Social Security.

The amount reported as Social Security wages should not exceed the annual maximum (refer to Appendix A in the Authorized Agent's manual). The sum of the amounts in Box 3 **and** Box 7 are considered Social Security wages. **Therefore, the total of Box 3 and Box 7 together should not exceed the Social Security maximum wage.**

### **Box 5 - Medicare Wages**

There is no maximum wage for Medicare. For employees covered by Medicare, all wages are subject to Medicare tax and employer contributions. The amount reported in this box may be different from the amount reported in Box 3.

### **Box 12 - Deferred Compensation/Elective Deferrals**

IMRF member contributions are not considered deferred compensation for the purpose of Box 12. They are also not an elective deferral since IMRF is mandatory for members in a qualifying position.

The W-2 instructions specify that required employee contributions (such as IMRF) are not elective deferrals and may be reported **in Box 14, but not in Box 12.**

The tax deferral of IMRF member contributions is covered by section 414(h) of the IRS code; it is not one of the retirement plans reported in Box 12 (plans under section 401(k), 403(b), 408(k), 457, or 501(c)(18)(D) of the IRS code). Therefore, you **should not** enter any IMRF contributions in Box 12.

If a member **also** participates in a 401(k), 403(b), 408(k)(6), 457, or 501(c)(18)(D) plan, list that amount in Box 12. (See IRS Publication 393; refer to instructions for Box 12.)

### **Box 13 - Retirement Plan**

Check Box 13 if the employee is participating in a qualified pension plan.

You would also check this box for any employee who is participating in or eligible to participate in IMRF.

“Eligible to participate” means that employers **should also check this box for elected officials and city hospital workers who are eligible, but elect not to participate with IMRF.** The IRS considers these employees as being covered by a pension plan since they had an option to participate (refer to IRS Publication 590, “Individual Retirement Arrangements (IRAs),” and check the index for *Employer Plan:Covered by...*).

### **Box 14 - Other**

An entry in this box is not required. However, it may be helpful to your employees if you enter their IMRF contributions in this box. For example:

Box 14 IMRF \$XXX.XX
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### **If you use QuickBooks**

From the calls we have received, it appears that the PC program QuickBooks does **not** include an option to process the IMRF contributions correctly. However, we have identified one method to issue a correct W-2 using QuickBooks.

- Step 1 - When processing the payroll, you can code the IMRF contribution as if it were to a deferred compensation plan (457, 403(b), etc.)
- Step 2 – Before printing the W-2, choose the option to review the W-2 form on the screen. The program will now allow you to delete the entry in Box 12 for the deferred compensation you used to represent IMRF contributions. Although an entry in Box 14 is not *required*, the software will allow you to enter the IMRF contribution information into that box.

(If you are aware of another method, please let us know.)

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## **Additional questions**

If you have additional questions, please call an IMRF Member Service Representative at 1-800-ASK-IMRF (1-800-275-4673). You may also contact the IRS for additional income tax information at 1-800-829-1040, or visit their website at [www.irs.gov](http://www.irs.gov).

Attachments: Manual for Authorized Agents Appendix B-1:  
Completed W-2 Wage and Tax Statement (Employer HAS filed resolution to include Section 125 (cafeteria) amounts in IMRF earnings)

Manual for Authorized Agents Appendix B-2:  
Completed W-2 Wage and Tax Statement (Employer has NOT filed resolution to include Section 125 (cafeteria) amounts in IMRF earnings)

# Completed W-2 Wage and Tax Statement

Employer HAS filed resolution  
to include Section 125 (cafeteria) amounts in IMRF earnings  
**AND**  
Member made contributions under a Tax-deferred Payroll Deduction Agreement

22222		Void <input type="checkbox"/>	a Employee's social security number 001-01-1111	For Official Use Only ► OMB No. 1545-0008	
b Employer identification number (EIN) 36-600XXXX			1 Wages, tips, other compensation <b>8,977.25</b>		2 Federal income tax withheld <b>866.58</b>
c Employer's name, address, and ZIP code CITY OF ANYWHERE 123 MAIN STREET ANYWHERE, IL 60000			3 Social security wages <b>9884.00</b>		4 Social security tax withheld <b>612.81</b>
			5 Medicare wages and tips <b>9884.00</b>		6 Medicare tax withheld <b>143.32</b>
			7 Social security tips		8 Allocated tips
d Control number			9 Advance EIC payment		10 Dependent care benefits
e Employee's first name and initial JOHN J.		Last Name DOE		Suff.	11 Nonqualified plans
145 ELM STREET ANYWHERE, IL 60000			13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12
			14 Other		12b
f Employee's address and ZIP code			IMRF 456.75 TPDP 200.00		12c G 250.00
15 State Employer's State ID number IL 36-600XXXX					16 State wages, tips, etc. <b>8,977.25</b>
			19 Local income tax		20 Locality name

Form **W-2** Wage and Tax Statement **2008** Department of the Treasury—Internal Revenue Service  
Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable. **Optional** For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D. Cat. No. 10134D

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### Sample calculation for an employer that has filed a resolution to include Section 125 (cafeteria) amounts in IMRF earnings

	W-2 Calculation	IMRF Calculation
Gross Salary	\$ 10,000.00	\$10,000.00
Section 125 (cafeteria or salary reduction plan)	-266.00	
Personal use of auto	<u>+150.00</u>	<u>+150.00</u>
Social Security and Medicare wages (Box 3 & 5)	9,884.00	
IMRF Earnings		<u>10,150.00</u>
IMRF contributions (4.5%)		- 456.75
Deferred Compensation (Box 12)	-250.00	
TPDP Contributions (Box 14)	-200.00	
IMRF Contributions (Box 14)	<u>- 456.75</u>	
Taxable Wages (Box 1 & 16)	<u>\$ 8,977.25</u>	

# Completed W-2 Wage and Tax Statement

**Employer Has NOT filed resolution  
to include Section 125 (cafeteria) amounts in IMRF earnings  
AND**

**Member made contributions under a Tax-deferred Payroll Deduction Agreement**

22222		Void <input type="checkbox"/>	a Employee's social security number 001-01-1111		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number (EIN) 36-600xxxx			1 Wages, tips, other compensation <b>8989.22</b>		2 Federal income tax withheld <b>868.38</b>	
c Employer's name, address, and ZIP code CITY OF ANYWHERE 123 MAIN STREET ANYWHERE, IL 60000			3 Social security wages <b>9884.00</b>		4 Social security tax withheld <b>612.81</b>	
			5 Medicare wages and tips <b>9884.00</b>		6 Medicare tax withheld <b>143.32</b>	
			7 Social security tips		8 Allocated tips	
d Control number			9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial JOHN J.		Last Name DOE		Suff.		11 Nonqualified plans
145 ELM STREET ANYWHERE, IL 60000			12a See instructions for box 12 <b>G</b>		<b>250.00</b>	
			13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
			14 Other		12c	
f Employee's address and ZIP code			<b>IMRF 444.78</b> <b>TPDP 200.00</b>		12d	
15 State Employer's State ID number IL 36-600xxxx	16 State wages, tips, etc. <b>8989.22</b>	17 State income tax <b>179.67</b>	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

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**Optional**  
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**Sample calculation for an employer that has NOT filed a resolution  
to include section 125 (cafeteria) amounts in IMRF earning**

	W-2 Calculation	IMRF Calculation
Gross Salary	\$ 10,000.00	\$ 10,000.00
Section 125 (cafeteria or salary reduction plan)	-266.00	- 266.00
Personal use of auto	<u>+150.00</u>	<u>+150.00</u>
Social Security and Medicare wages (Box 3 & 5)	9,884.00	
IMRF Earnings		9,884.00
IMRF contributions (4.5%)		- 444.78
Deferred Compensation (Box 12)	-250.00	
TPDP Contributions (Box 14)	-200.00	
IMRF Contributions (Box 14)	<u>-444.78</u>	
Taxable Wages (Box 1 & 16)	<u>\$ 8,989.22</u>	