



# 9 - Federal Tax Reporting/ Social Security

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## **Appendix - Federal Tax Reporting/Social Security**

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### **9.00 Introduction**

This section contains guidelines on tax items that are unique to IMRF employers, such as the proper treatment of IMRF 414(h) tax deferred member contributions. This section also contains information regarding Social Security coverage for employees.

At the end of this Appendix, we provide Exhibits which illustrate the history of Social Security Wage bases, Medicare rates and Social Security rates as well as sample completed W-2 tax statements.

### **9.10 Federal Income Tax Reporting**

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

1. IRS Publication. 15, Employer's Tax Guide (Circular E) This publication explains the employer's responsibility for withholding, depositing, reporting and paying taxes.
2. IRS Publication 15-A Employer's Supplemental Tax Guide This publication is a supplement to Publication 15 (Circular E), Employer's Tax Guide
3. IRS Publication 15-B Employer's Tax Guide to Fringe Benefits

IRS forms and publications are available by:

- Calling the IRS at 1-800-TAX-FORM (1-800-829-3676).
- Going to the IRS web site at [www.irs.gov](http://www.irs.gov)

Where possible, we reference the IRS publication in which additional information may be found.

#### **9.10 A. Explanation of Terms**

Certain tax terms are used in this section that may not be defined elsewhere. They are provided below along with the meaning.

##### **1. Cafeteria Plan**

Defined by the Internal Revenue Code (Section 125) as a plan that permits the participants to choose between two or more benefits consisting of cash and qualified benefits. Some examples of qualified benefits include health insurance, life insurance, dependent care, etc. Benefits taken as cash are taxable to the member. Qualified benefits reduce the Social Security wages, Medicare wages and the W-2 taxable wages.

##### **2. Deferred Compensation Plan**

A plan where employees can accumulate money on a tax-deferred basis. Such plans for government employees are authorized by Section 457 of the Internal Revenue Code. These plans are not qualified pension plans, and therefore have different rules than qualified pension plans. ICMA and Nationwide are two of many deferred compensation plan providers.

##### **3. Qualified Plan**

A plan that meets the requirements of Section 401 of the Internal Revenue Code. Such plans receive tax advantages, e.g., the tax deferral of member contributions. IMRF, State Teachers' Retirement System, and police and fire pension plans are examples of qualified pension plans.

#### 4. Tax Sheltered Annuity

This describes special regulations under Internal Revenue Code Section 403(b) wherein employees of certain institutions (schools and hospitals) may reduce their taxable income by permitting the employer to pay part of their earnings into a deferred annuity.

#### 9.10 B. IMRF as Defined by the IRS

IMRF is a Qualified Plan under Section 401(a) of the Internal Revenue Code.

#### 9.10 C. Tax Deferred Treatment of Member Contributions

IMRF member contributions are not subject to federal income tax until they are returned to the member or to the member's beneficiary(ies) as a separation refund, pension, or death benefit.

This postponement of federal income tax is achieved by treating the 4.5% (7.5% SLEP or 7.5% ECO) IMRF member contributions as if "employer paid." The terminology of this tax treatment often leads to confusion. Because the Internal Revenue Code refers to this tax deferral as "employer pickup," some individuals assume that the employer is paying the contributions. This assumption is incorrect. The contributions are not paid by the employer but are deducted from the member's gross salary.

This special tax treatment is provided for under Internal Revenue Code Section 414(h). The member contributions are designated "employer pickup" only for federal income tax deferral.

Currently Illinois income tax law follows the federal rules regarding the 414(h) tax deferral. In other words, taxable wages are reduced by the IMRF member contributions.

#### 9.10 D. Income Tax Withholding Under the 414(h) Tax Deferred Plan

When calculating federal or state income tax withholding, the 4.5% (6.5% SLEP before June 1, 2006 and 7.50% on and after June 1, 2006), 7.5% ECO) Regular IMRF member contributions should be subtracted from the gross wage.

##### Example:

Gross Wage	\$500.00
4.5 % member contribution	<u>22.50</u>
Base withholding on this amount	\$477.50

#### 9.10 E. Social Security and Medicare

Social Security and Medicare taxes are calculated using the member's gross wage. The gross wage is not reduced for IMRF contributions. The only reduction to the gross wage is for qualified benefits under a Cafeteria Plan.

**NOTE:** Currently, Social Security tax is computed for salaries up to the Social Security wage base. Refer to Appendix A for the wage base for recent years.

#### 9.10 F. IRS Form W-2 for Employees

Each year employers report the income and tax withholding to their employees and to the IRS. To the employees you issue an IRS Form W-2, "Wage and Tax Statement" (see samples of completed forms on Appendix B-1, B-2, and B-3). Some of the amounts are affected by IMRF contributions.

If you are issuing a W-2 for an elected official who is paid a stipend by the state, refer to paragraph 9.10 H. IRS Form W-2 for Elected Officials' State Stipends.

When preparing the W-2, watch for the following:

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

Reduce taxable wage amounts for IMRF members by the 414(h) tax-deferred IMRF contributions. This includes the usual contributions to IMRF (under the Regular, SLEP or ECO plans) . Also, reduce taxable wage amounts by deferred compensation and tax-deferred contributions to other qualified pension plans and cafeteria plans.

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 earnings and reported to IMRF as "Voluntary Additional Contributions" are not tax-deferred earnings. These earnings are fully taxable in the year earned. These contributions do not reduce the taxable 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 15-B "Employer's Guide to Fringe Benefits" for additional information.)

Some fringe benefits are includable as federal taxable wages but are not IMRF reportable wages. Please refer to Section 3, Part III.

**Box 3 - Social Security Wages**

Do not automatically use the same wage amount in Boxes 1 (Wages), 3 (Social Security Wages), 5 (Medicare Wages), and 16 (State Wages). Social Security wages are not reduced by IMRF member contributions or other deferred compensation plans. However, wage reductions for a qualified 125 (cafeteria) plan will reduce the Social Security wages. The amount reported in Box 3 will be "\$0" for employees in positions not covered by Social Security.

Refer to Appendix A in this Section for the maximum Social Security Retirement Wage. Wages over that amount are not subject to employee contributions nor to employer contributions. The amounts in Box 3 and Box 7 are both considered Social Security wages. Therefore, the total of Box 3 and Box 7 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 (Refer to Appendix A for rates). The amount reported in this box may be different from the amount reported in Box 3.

**Box 12 - Deferred Compensation**

Tax-deferred IMRF member contributions are not deferred compensation. The tax deferral of IMRF member contributions is covered by Section 414(h) of the Internal Revenue Code.

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 Internal Revenue 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 Internal Revenue Code). Therefore, you **should not** enter any IMRF contributions in Box 12.

**Box 13 - Retirement Plan**

This Box should be checked if the employee is participating in a qualified pension plan. Box 13 should be checked for any employee who is participating in or eligible to participate in IMRF.

"Eligible to participate" means that you should also check that Box for elected officials and city hospital workers who are eligible, but elect not to participate in IMRF, since the IRS considers them as being covered by a pension plan (refer to IRS Publication 590-A, "Contributions to Individual Retirement Arrangements (IRAs)," index entry "Employer plans, covered by").

**Box 14 - Other**

An entry in this box is not required. However, it would be helpful to your employees if you show their annual IMRF contributions and Voluntary Additional, if applicable.

For example: IMRF 444.78 and VA 98.84

**9.10 G. IRS Form W-2 for Elected Officials' State Stipends**

When an elected official is paid a stipend by the state, the state reports the stipend on IRS Form W-2 for federal income tax purposes. The IMRF employer reports the stipend on IRS Form W-2 for Social Security and Medicare.

Depending on how you prepare your W-2 forms, you may choose to report an elected official's wages and state stipend on a single W-2 or you may choose to report the wages on one W-2 and the state stipend on a separate W-2. Refer to Appendix B-3 in this Section.

**9.20 Social Security Coverage**

Unlike people working in the private sector, state and local government employees are not always covered by Social Security. Since July 1, 1991, state and local government employees are automatically covered by Social Security if the employee is not a member of a retirement plan provided by the government employer.

To acquire coverage for employees who are retirement plan members, three steps are necessary:

1. The state must enter into a Federal-State Agreement with the Secretary of Health and Human Services under Section 218 of the Federal Social Security Act to enable employers to provide Social Security coverage for public employees designated from time to time by the state. On September 15, 1953, the State of Illinois entered into a Federal-State Agreement as authorized by the Social Security Enabling Act (Article 21 of the Illinois Pension Code, 40 ILCS 5/21-101 et seq.).
2. An individual public employer or a retirement system must enter into an agreement with the state to adopt Social Security coverage. For individual employers, this is called an "absolute coverage group" agreement. For retirement systems, this is called a "retirement system coverage group" agreement. In both cases the agreement, to the extent authorized by the Social Security Act, must designate which officials' and employees' positions are covered and which are excluded from coverage. IMRF entered into a retirement systems coverage group agreement with the State of Illinois (Social Security Unit of the State Employees Retirement System) effective December 31, 1957, retroactive to January 1, 1956.
3. The State-Federal Agreement must be modified to include each coverage group under the State-Federal Agreement. The IMRF Retirement System Coverage Group was included by Modification No. 59, effective December 31, 1957, retroactive to January 1, 1956. This provided Social Security coverage for employees of all employers in IMRF on December 31, 1957. Employers entering IMRF after that date have been included by subsequent modifications. Some of these had entered into an Absolute Coverage Group Agreement prior to entering IMRF. If there were any differences between the exceptions to coverage in that agreement and the IMRF agreement, the IMRF agreement prevails.

**9.30 Jurisdiction Over Social Security Coverage**

The agreements are authorized by Section 218 of the Social Security Act and administered by the Social Security Administration. Therefore, they are the final administrative arbitrator over questions as to whether particular employee positions are or may be covered. They are assisted in this responsibility by the Illinois Social Security Administrator (Social Security Division of the State Employees' Retirement System).

Questions about coverage should be directed to:

Social Security Division  
State Employees Retirement System  
2101 S. Veterans Parkway  
P.O. Box 19255  
Springfield, Illinois 62794-9255  
(217) 785-7228

### **9.30 A. Wages**

Effective for wages paid on or after January 1, 1987, the responsibility for obtaining reports of wages and collecting Social Security taxes thereon was placed with the Internal Revenue Service. Previously, it had been the responsibility of the Social Security Administration; IMRF collected Social Security taxes on members' wages and remitted them to the Social Security Administration. Under the Federal Insurance Contributions Act (FICA), IRS now administers this aspect of Social Security coverage.

Questions about the definition of wages, reporting procedures, and similar matters should be directed to the IRS.

### **9.30 B. Audits**

IRS has a program for auditing local governmental employers. These audits concentrate on income tax reporting of employees' income, withholding, and payroll taxes, and deductions of withholding of income, Social Security (FICA), and unemployment (FUTA) taxes. They also review employment relationships and Social Security coverage agreement provisions to determine if all persons are properly classified as employees and if covered wages and Social Security taxes are deducted. The coverage aspect audit is coordinated with the Social Security Administration and the Illinois State Social Security Administrator.

If it is found that required Social Security taxes have not been withheld and remitted, the employer is charged with both the employer and employee shares, with interest. IRS may also levy a penalty of 25% to 100% of the delinquent taxes.

## **9.40 Persons Subject to Social Security**

Generally, all persons who are considered employees under the "usual common law rules applicable in determining the employer-employee relationship" are covered by Social Security. This definition is discussed in Paragraphs 3.10 Definition of Employee for schools and 3.60 Definition of Employee in other than schools.

### **9.40 A. Emergency Workers**

Payments to employees hired to perform "emergency services" are not considered Social Security wages. The exclusion applies only to an unusual emergency—in the nature of an Act of God or disaster—such as flood, tornado, disastrous fire, or abnormal snow storm.

The exclusion applies only if:

1. The hiring is necessitated by the emergency,
2. The employee is hired for a short period and is released when the emergency is over, and
3. The emergency is an unforeseen event calling for immediate action.

This exclusion does not apply to short-term or part-time workers hired for peak loads, or as substitutes for ill or vacationing employees. Regular employees' earnings during an emergency, whether regular pay or overtime, are Social Security wages.

**9.40 B. Jurors**

Jurors serving on a petit or grand jury are not considered employees for Social Security purposes, because they are not subject to direction or control in the manner or means in which they perform their duties.

**9.40 C. Election Judges and Workers Paid Less than \$1,800 per Calendar Year**

The pay of election judges and workers is not subject to Social Security taxes unless they are paid \$1,800 in any calendar year. If an election judge or worker has other compensation, do not include this in applying the \$1,800 exclusion.

If a person earns more than \$1,800 in a calendar year for election work, the entire amount, including the first \$1,800, becomes reportable.

**9.40 D. Patients and Inmates in Hospitals, Nursing Homes, and Other Institutions**

Hospital patients and inmates are not considered employees, even though they may perform some services. Any earnings they receive are not reported.

A patient is a person undergoing treatment or care. An inmate is a person living in an institution who was committed or chose to enter voluntarily.

**9.40 E. Exchange Aliens and Non-Immigrant Students**

See paragraphs 3.10 C. Exchange Aliens and Non-Immigrant Students in schools and 3.60 D. Exchange Aliens and Non-Immigrant Students, other than schools for application of this exclusion.

**9.40 F. Students**

Students who (1) are paid by a school district (2) for work in a school operated by the school district in which they are enrolled and regularly attending classes (3) during the time the student is enrolled in school are exempt from Social Security. For the purpose of this exclusion, a student is considered enrolled in school during Christmas and spring vacation and other school term holidays. A student who is not enrolled in summer school and who works during the summer for the school district is covered by Social Security.

Students working for a school district other than the one in which they are enrolled are covered by Social Security. For example, a high school student working for a grade school operated by a separate school district (K-8) is covered by Social Security.

Work-study students who work in the school in which they are enrolled (or in another school operated by the same school district) are not covered by Social Security. However, they are subject to Social Security if they work for another school district or other public employer (such as city, village, park district, etc.) under IMRF. Their wages should be reported by the district or governmental unit for which they work.

Students covered by Social Security whose jobs meet the annual hourly standard of their employer are covered by IMRF. Those not covered by Social Security are not covered by IMRF, irrespective of the hours required by the job.

**9.40 G. Student Nurse**

See paragraph 3.60 G. Student Nurses for application of this exclusion of certain student nurses.

**9.40 H. Athletic Officials**

Referees, umpires, and others officiating at athletic contests are usually independent contractors, not employees. However, an employer-employee relationship with officials may be established.

For example: paid officials working in school intramural programs and park recreation programs often work as employees rather than as independent contractors.

**9.40 I. Recreation Instructors**

See paragraph 3.90 Park District Employees for a discussion of coverage of these instructors. Audits by the IRS and Social Security have uncovered a substantial number of instructors improperly classified as independent contractors.

**9.40 J. Elected Officials and Elected Members of Governing Bodies (City Council, Village Board, County Board, Board of Town Trustees, Etc.)**

Elected officials are considered employees for Social Security purposes. This includes members of a governing body (board, council, commission, etc.). These officials may have earnings from other employment in excess of the Social Security wage base, but all wages up to the wage base paid to them by the city, village, county, etc. must be reported. Wages for elected officials must be reported, even if nominal in amount.

Refer to paragraph 9.10 H. IRS Form W-2 for Elected Officials' State Stipends and Appendix B-3 in this Section for information on reporting an elected official's wages and state stipend on IRS Form W-2.

**9.40 K. Appointed Governing Body Members and Officials**

Paid, appointed members of governing bodies (for example: Airport Authority and River Conservancy District board members) are classified the same as other appointed employees. Their compensation must be reported as Social Security wages even though nominal and even if they have earnings from other employment in excess of the Social Security wage base.

**9.40 L. Paid Board and Commission Members**

Compensation paid to members of boards and commissions (such as County Zoning Commission, Board of Zoning Appeals, Board of Review, Planning Commission, etc.) must be reported even if nominal in amount and even if the member has earnings from other employment in excess of the Social Security wage base.

**9.40 M. Employees Drawing Social Security**

Employees drawing Social Security pensions or other benefits are not exempt from Social Security coverage, and Social Security taxes should be deducted from their wages. There is no minimum or maximum age for reporting earnings for Social Security purposes.

**9.40 N. Medicare-Only Employees**

Wages of employees in positions excluded from Social Security coverage (such as positions under the Teachers Retirement System and local police and fire pension systems) who were first employed in these positions after March 31, 1986, are subject to Medicare taxes.

This provision, both as to coverage and wages definition, is administered by the Internal Revenue Service. All questions should be directed to the IRS.

**9.50 Covered Wages**

Social Security wages include all remuneration (both cash and in kind) for employment, irrespective of what the remuneration is called. Remuneration which is subject to income tax is considered Social Security wages with limited additions such as Section 414(h) IMRF member contributions, Section 403(b) tax sheltered annuities (Paragraph 3.96L), Section 457 deferred compensation (Paragraph 3.96M), and Section 401(k) salary reduction plans (Paragraph 3.96O).

Questions regarding Social Security covered wages should be directed to the Internal Revenue Service.

**9.60 Reporting**

The procedures for reporting IMRF covered wages and remitting IMRF contributions, are set forth in Section 4. The Internal Revenue Service can provide information on reporting Social Security wages and contributions.

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## Appendix A-1 Social Security Wage Bases, Medicare Rates, and Social Security Rates

### Social Security Employer and Employee Taxes

- Wage bases for each year are determined the previous November by the SSA. See the last 10 years' Social Security wage bases.
- The Medicare wage base has been removed, see below. The Medicare rate applies to all earnings. The Medicare rate applies to employees who are excluded from Social Security coverage who were first employed in these positions after March 31, 1986.
- A Social Security covered employee will pay Medicare tax on all earnings. The Social Security rates for 1987 through 2022 are shown below. NOTE: Future Social Security rates may be changed by Congress.

### Tax Deadlines

- You must give W-2 statements to your employees by January 31 of the following year.
- You must file your W-2s by February 28 of the following year.

A. Social Security Wage Base	
The annual Social Security wage base is as follows:	
Year	Social Security Wage Base
2022 .....	\$147,000
2021 .....	\$142,800
2020 .....	\$137,700
2019 .....	\$132,900
2018 .....	\$128,400
2017 .....	\$127,200
2016 .....	\$118,500
2015 .....	\$118,500
2014 .....	\$117,000
2013 .....	\$113,700

B. Medicare Wage Base	
The annual Medicare wage base is as follows:	
Year	Medicare Wage Base
1994 – 2022.....	Rate applies to all earnings
1993.....	\$135,000

C. Social Security Rates			
Year	OASDI	Medicare	Total
*2013-2022	6.20%	1.45%**	7.65%
2011-12 employee	4.20%	1.45%	5.65%
2011-12 employer	6.20%	1.45%	7.65%
*1990 thru 2010	6.20%	1.45%	7.65%
*1988-1989	6.06%	1.45%	7.51%
*1987	5.70%	1.45%	7.15%

OASDI - Old Age, Survivors, and Disability Insurance

\* Same rate used for both employer and employee

\*\* Beginning in 2013 an additional Medicare tax of 0.9 percent is assessed on earned income exceeding \$200,000 for individuals and \$250,000 for married couples filing jointly. This additional Medicare tax rate is not reflected in the tax rates shown in the table. Employers will start deducting the additional amount on wages over \$200,000.

### Federal Income Tax Withholding for IMRF Pension Payments

- For a monthly pension payment, the IRS default for withholding is “married with three exemptions.”
- If a retired member does not advise us that he or she wants some other withholding instructions, IMRF will withhold federal income tax when the monthly pension payment exceeds:

Year	Amount
2022	\$2,158.00
2021	\$2,091.00
2020	\$2,066.00
2019	\$2,033.00

2018	\$2,000.00
2017	\$1,734.00
2016	\$1,725.50
2015	\$1,716.90
2014	\$1,691.60

2013	\$1,667.00
2012	\$1,625.00
2011	\$1,563.00
2010	\$2,058.50
2009	\$1,579.50

2008	\$1,542.00
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2007	\$1,517.00
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2006	\$1,492.00
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## Appendix A-2 Wage Caps

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### Wage Caps for Tier 2

Each year the Reportable Wage Cap will be updated and shown in the table below.

For the Year	Regular Tier 2	SLEP Type Tier 2	Voluntary Additional Tier 2
2011	\$106,800.00	\$106,800.00	\$106,800.00
2012	\$108,882.60	\$108,882.60	\$108,882.60
2013	\$109,971.43	\$109,971.43	\$109,971.43
2014	\$110,631.26	\$110,631.26	\$110,631.26
2015	\$111,571.63	\$111,571.63	\$111,571.63
2016	\$111,571.63	\$111,571.63	\$111,571.63
2017	\$112,408.42	\$112,408.42	\$112,408.42
2018	\$113,644.91	\$113,644.91	\$113,644.91
2019	\$114,951.83	\$114,951.83	\$114,951.83
2020	\$115,928.92	\$115,928.92	\$115,928.92
2021	\$116,740.42	\$116,740.42	\$116,740.42
2022	\$119,892.41	\$119,892.41	\$119,892.41

Under Tier 2, a member's wages are capped at \$119,892.41 (in 2022). The employer does not report any wages above the cap, and the member does not pay any contributions on wages above the cap. The wage cap is also applied when IMRF calculates member's benefits.

The wage cap could automatically increase each year by the lesser of 3% or one-half of the increase in the Consumer Price Index (urban) (CPI-U) for the preceding 12 months as of September. If the CPI-U decreases or is zero, no increase is paid.

### 401(a) (17) Wage Limits

**Please note:** Earnings for any IMRF Tier or plan do not include any compensation in excess of \$305,000 (in 2022). This limit does not apply to members who began participation before 1996.

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# Appendix B-1 Completed W-2 Wage and Tax Statement

Employer HAS filed resolution to include Section 125 (cafeteria) amounts in IMRF earnings.

22222		a Employee's social security number 001-01-1111		OMB No. 1545-0008		Safe, accurate, FAST! Use 		Visit the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a> .			
b Employer identification number (EIN) 36-600xxxx				1 Wages, tips, other compensation 9,177.25		2 Federal income tax withheld 866.58					
c Employer's name, address, and ZIP code  CITY OF ANYWHERE 123 Main Street ANYWHERE, IL 60000				3 Social security wages 9,884.00		4 Social security tax withheld 612.81					
				5 Medicare wages and tips 9,884.00		6 Medicare tax withheld 143.32					
				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		11 Nonqualified plans		12a See instructions for box 12					
145 ELM STREET ANYWHERE, IL 60000				13 Statutory employee <input type="checkbox"/>		Retirement plan <input checked="" type="checkbox"/>		Third-party six pay <input type="checkbox"/>		12b	
				14 Other IMRF 456.75 VA 98.84		12c G 250.00				12d	
f Employee's address and ZIP code				15 State Employer's state ID number IL 36-600xxxx		16 State wages, tips, etc. 9,177.25		17 State income tax 179.31		18 Local wages, tips, etc.	
								19 Local income tax		20 Locality name	

Form **W-2** Wage and Tax  
Statement

2008

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
This information is being furnished to the Internal Revenue Service.

## Sample calculation for an employer who 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	
IMRF Contributions (Box 14)	<u>- 456.75</u>	
Taxable Wages (Box 1 & 16)	TOTAL <u>\$ 9,177.25</u>	

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## Appendix B-2 Completed W-2 Wage and Tax Statement

Employer HAS NOT filed resolution to include Section 125 (cafeteria) amounts in IMRF earnings.

22222		a Employee's social security number 001-01-1111		Safe, accurate, FAST! Use  Visit the IRS website at www.irs.gov/efile.	
b Employer identification number (EIN) 36-600xxxx		1 Wages, tips, other compensation 9189.22		2 Federal income tax withheld 868.38	
c Employer's name, address, and ZIP code  CITY OF ANYWHERE 123 Main Street ANYWHERE, IL 60000		3 Social security wages 9,884.00		4 Social security tax withheld 612.81	
		5 Medicare wages and tips 9,884.00		6 Medicare tax withheld 143.32	
		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		11 Nonqualified plans	
145 ELM STREET ANYWHERE, IL 60000		12a See instructions for box 12 G 250.00		12b	
f Employee's address and ZIP code		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party six pay <input type="checkbox"/>		12c	
		14 Other IMRF 444.78 VA 98.84		12d	
15 State Employer's state ID number IL 36-600xxxx		16 State wages, tips, etc. 9189.22		17 State income tax 179.67	
		18 Local wages, tips, etc.		19 Local income tax	
				20 Locality name	

Form **W-2** Wage and Tax Statement **2008** Department of the Treasury—Internal Revenue Service  
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### Sample calculation for an employer who has NOT 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	-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	
IMRF Contributions (Box 14)	<u>- 444.78</u> ←	
Taxable Wages (Box 1 & 16)	TOTAL <u>\$ 9189.22</u>	

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## Appendix B-3 (page 1 of 4) Completed W-2 Wage and Tax Statement

Reporting an Elected Official's state stipend.

Member participates in Regular IMRF (not ECO nor SLEP) with an annual salary of \$20,000.00 and an elected official state stipend of \$2,000.00.

22222		a Employee's social security number 001-01-1111		CMB No. 1545-0008		Safe, accurate, FAST! Use 		Visit the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a> .		
b Employer identification number (EIN) 36-600xxxx				1 Wages, tips, other compensation 1,910.00		2 Federal income tax withheld 477.50				
c Employer's name, address, and ZIP code  State of Illinois Stipend Issuer 101 West Jefferson Springfield IL 62702				3 Social security wages 0.00		4 Social security tax withheld 0.00				
				5 Medicare wages and tips 0.00		6 Medicare tax withheld 0.00				
				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		11 Nonqualified plans		12a See instructions for box 12				
145 ELM STREET ANYWHERE, IL 60000				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b				
				14 Other		12c				
f Employee's address and ZIP code				12d						
15 State Employer's state ID number IL   36-600xxxx		16 State wages, tips, etc. 1,910.00		17 State income tax 57.30		18 Local wages, tips, etc.		19 Local income tax		20 Locality name

Form **W-2** Wage and Tax Statement

2008

Department of the Treasury—Internal Revenue Service

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**The state reports the stipend and issues a single W-2 to the member.**

Box 1, Wages	\$ 1910.00 (\$2000 stipend less \$90 IMRF contribution)
Box 2, Federal Withholding	\$ 477.50 (assume 25%)
Box 3, Social Security Wages	0.00
Box 4, Social Security Withheld	0.00
Box 5, Medicare Wages	0.00
Box 6, Medicare Withheld	0.00
Box 16, State Wages	\$ 1910.00
Box 17, State Withholding	\$ 57.30 (assume 3% tax rate)

## Appendix B-3 (page 2 of 4) Completed W-2 Wage and Tax Statement

IMRF employer reports both the salary and stipend.

If the employer issues a single W-2 reporting both the \$20,000 salary and \$2,000 stipend:

22222		a Employee's social security number 001-01-1111		Safe, accurate, FAST! Use  Visit the IRS website at www.irs.gov/efile.	
b Employer identification number (EIN) 36-600xxxx		1 Wages, tips, other compensation 19,100.00		2 Federal income tax withheld \$\$\$.\$\$	
c Employer's name, address, and ZIP code  CITY OF ANYWHERE 123 Main Street ANYWHERE, IL 60000		3 Social security wages 22,000.00		4 Social security tax withheld 1,364.00	
		5 Medicare wages and tips 22,000.00		6 Medicare tax withheld 319.00	
		7 Social security tips		8 Allocated tips	
		9 Advance EIC payment		10 Dependent care benefits	
d Control number		11 Nonqualified plans		12a See instructions for box 12	
e Employee's first name and initial Last name Suff.  JOHN J. DOE  145 ELM STREET ANYWHERE, IL 60000		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b	
		14 Other		12c	
				12d	
f Employee's address and ZIP code		15 State Employer's state ID number IL 36-600xxxx		16 State wages, tips, etc. 19,100.00	
		17 State income tax \$\$\$.\$\$		18 Local wages, tips, etc.	
				19 Local income tax	
				20 Locality name	

Form **W-2** Wage and Tax Statement **2008** Department of the Treasury—Internal Revenue Service  
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Box 1, Wages	\$19,100.00 (\$2000 stipend less \$90 IMRF contribution)
Box 2, Federal Withholding	Show only the amounts the employer deducted.
Box 3, Social Security Wages	\$22,000.00
Box 4, Social Security Withheld	\$ 1,364.00 (6.2% on \$22,000.00)
Box 5, Medicare Wages	\$22,000.00
Box 6, Medicare Withheld	\$ 319.00
Box 16, State Wages	\$19,100.00
Box 17, State Withholding	Show only the amounts the employer deducted.

## Appendix B-3 (page 3 of 4) Completed W-2 Wage and Tax Statement

If the employer issues separate W-2s, the salary is reported on one and the stipend on another.

This first W-2 shows a \$20,000 salary paid from the employer's payroll.

22222		a Employee's social security number 001-01-1111		CMB No. 1545-0008		Safe, accurate, FAST! Use 		Visit the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a> .							
b Employer identification number (EIN) 36-600xxxx				1 Wages, tips, other compensation 19,100.00		2 Federal income tax withheld \$\$\$ . \$\$									
c Employer's name, address, and ZIP code  CITY OF ANYWHERE 123 Main Street ANYWHERE, IL 60000				3 Social security wages 20,000.00		4 Social security tax withheld 1,240.00									
				5 Medicare wages and tips 20,000.00		6 Medicare tax withheld 290.00									
				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		11 Nonqualified plans		12a See instructions for box 12									
145 ELM STREET ANYWHERE, IL 60000				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b									
				14 Other		12c									
						12d									
f Employee's address and ZIP code				15 State Employer's state ID number IL   36-600xxxx		16 State wages, tips, etc. 19,100.00		17 State income tax \$\$\$ . \$\$		18 Local wages, tips, etc.		19 Local income tax		20 Locality name	

Form **W-2** Wage and Tax Statement

2008

Department of the Treasury—Internal Revenue Service

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Box 1, Wages	\$19,100.00 (\$20,000 stipend less \$900 IMRF contribution)
Box 2, Federal Withholding	Show only the amounts the employer deducted.
Box 3, Social Security Wages	\$20,000.00
Box 4, Social Security Withheld	\$ 1,240.00 (6.2% on \$20,000.00)
Box 5, Medicare Wages	\$20,000.00
Box 6, Medicare Withheld	\$ 290.00 (1.45% on \$22,000.00)
Box 16, State Wages	\$19,100.00
Box 17, State Withholding	Show only the amounts the employer deducted.

## Appendix B-3 (page 4 of 4) Completed W-2 Wage and Tax Statement

If the employer issues separate W-2s, the salary is reported on one and the stipend on another.

This second W-2 shows a \$2,000 stipend paid by the state.

22222		a Employee's social security number 001-01-1111		CMB No. 1545-0008		Safe, accurate, FAST! Use 		Visit the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a> .							
b Employer identification number (EIN) 36-600xxxx				1 Wages, tips, other compensation		2 Federal income tax withheld									
c Employer's name, address, and ZIP code  CITY OF ANYWHERE 123 Main Street ANYWHERE, IL 60000				3 Social security wages 0.00		4 Social security tax withheld 0.00									
				5 Medicare wages and tips 2,000.00		6 Medicare tax withheld 124.00									
				7 Social security tips 2,000.00		8 Allocated tips 29.00									
d Control number				9 Advance EIC payment		10 Dependent care benefits									
e Employee's first name and initial JOHN J.		Last name DOE		11 Nonqualified plans		12a See instructions for box 12									
145 ELM STREET ANYWHERE, IL 60000				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b									
				14 Other		12c									
						12d									
f Employee's address and ZIP code				15 State Employer's state ID number IL   36-600xxxx		16 State wages, tips, etc. 1,910.00		17 State income tax 57.30		18 Local wages, tips, etc.		19 Local income tax		20 Locality name	

Form **W-2** Wage and Tax Statement **2008** Department of the Treasury—Internal Revenue Service  
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Box 1, Wages	\$ 0.00	(Taxable amount is reported by the state.)
Box 2, Federal Withholding	\$ 0.00	(Federal withholding reported by the state.)
Box 3, Social Security Wages	\$ 2,000.00	
Box 4, Social Security Withheld	\$ 124.00	(6.2% on \$2,000.00)
Box 5, Medicare Wages	\$ 2,000.00	
Box 6, Medicare Withheld	\$ 29.00	(1.45% on \$2,000.00)
Box 16, State Wages	\$ 0.00	(Taxable amount is reported by the state.)
Box 17, State Withholding	\$ 0.00	(State withholding reported by the state.)