

Issuing W-2 forms for IMRF members

IMRF is a Qualified Plan under section 401(a) of the Internal Revenue Code (IRC), and IMRF member contributions are tax-deferred under IRC 414(h)(2). Please consider the information in this letter when issuing W-2s for IMRF members. This letter supplements information found in IRS publications (see page 3.)

Box 1 and Box 16 -Taxable Wages

Subtract required IMRF contributions

Member IMRF contributions are tax-deferred. These contributions are one of the amounts you should subtract from a member's gross wages when calculating the taxable wage amount. (You should also subtract any other deferred compensation, taxable fringe benefits, and tax-deferred contributions to other qualified pension plans and cafeteria plans.)

Do not subtract IMRF Voluntary Additional Contributions

Voluntary Additional Contributions (VAC) are not tax-deferred, they are after tax. If you have a member making VAC to IMRF, **do not** subtract these contributions when calculating the taxable wage amount.

When an employer pays for member costs

If your employer pays for a member's IMRF contributions, past service cost, Social Security, Medicare or other items that are normally deducted from the member, you should review Tax Letter 15, "When an Employer Pays for Member Past Service or ERI Costs." Paying these items is the equivalent of giving a bonus and therefore **increases** the member's taxable wages.

Box 3 - Social Security Wages

Do not subtract IMRF contributions from 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 contributions 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.

Almost all IMRF members should have an amount reported in Box 3. *(An exception exists for a small number of public safety officers in certain cities, towns, and villages.)*



Maximum Social Security Wage Base

The amount reported as Social Security wages should not exceed the annual maximum. (The sum of the amounts in Box 3 and Box 7 are considered Social Security wages, so the total of Box 3 and Box 7 together should not exceed the maximum.)

Refer to Appendix A in the Authorized Agent’s manual for a list of annual Social Security wage base maximum amounts.

Box 5 - Medicare Wages

There is no maximum wage for Medicare. For members covered by Medicare, all wages are subject to Medicare tax and matching employer Medicare 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 **should not be reported in Box 12.**

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

Box 13 - Retirement Plan

Check Box 13 for any employee who is participating in IMRF **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-A, “Individual Retirement Arrangements [IRAs].”)

Box 14 - Other

An entry in this box is not required. However, you may wish to show member IMRF contributions (and VAC if applicable) in this box.

For example:

Box 14
IMRF \$XXX.XX
VAC \$XXX.XX



Tax and Topic letter #17—“Issuing W-2 forms for IMRF members,” continued

For more information

Two IRS publications that contain detailed information about the guidelines in this letter 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.

Additional questions

If you have additional questions, please call an IMRF Member Services 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.

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)



Appendix B-1

Completed W-2 Wage and Tax Statement

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

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 8,977.25		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 9884.00		4 Social security tax withheld 612.81	
		5 Medicare wages and tips 9884.00		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	Suff.	11 Nonqualified plans	
145 ELM STREET ANYWHERE, IL 60000		13 <input type="checkbox"/> Statutory employee <input checked="" type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay		12a See instructions for box 12	
		14 Other IMRF 456.75		12b G 12c 450.00 12d	
f Employee's address and ZIP code		15 State Employer's State ID number IL 36-600xxxx		16 State wages, tips, etc. 8,977.25	
		17 State income tax 179.31		18 Local wages, tips, etc.	
		19 Local income tax		20 Locality name	

Form W2 Wage and Tax Statement 2013 Department of the Treasury—Internal Revenue Service

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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)	-450.00	
IMRF Contributions (Box 14)	- 456.75 ←	
Taxable Wages (Box 1 & 16)	<u>\$ 8,977.25</u>	

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	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 8989.22	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 9884.00	4 Social security tax withheld 612.81	
			5 Medicare wages and tips 9884.00	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	Suff.	11 Nonqualified plans	12a See instructions for box 12 G 450.00
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"/>	12b	
			14 Other	12c	
f Employee's address and ZIP code			IMRF 444.78		
15 state Employer's State ID number IL 36-600xxxx	16 State wages, tips, etc. 8989.22	17 State income tax 179.67	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W2** Wage and Tax Statement

2013

Department of the Treasury—Internal Revenue Service

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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	+150.00	+150.00
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)	-450.00	
IMRF Contributions (Box 14)	-444.78	
Taxable Wages (Box 1 & 16)	<u>\$ 8,989.22</u>	