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DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

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The Honorable Bryan Steil
Member, U.S. House of Representatives
20 South Main Street Suite 10
Janesville, WI 53545

Attention:

Dear Representative Steil:

I'm responding to your April 17, 2025 inquiry sent to us on behalf of your constituent, . He asked for clarification about how to treat his nonqualified deferred compensation (NQDC) reported in Boxes 1 and 11 of his Form W-2, Wage and Tax Statement. Specifically, he also asked us to provide guidance he can share with his tax preparer on how to correctly report the NQDC on his tax return.

Generally, we can't provide binding legal advice to except through the private letter ruling process. Additionally, we don't have enough information about situation to determine the specifics of how his NQDC is taxed.

However, we can provide general information on how to treat amounts reported in Boxes 1 and 11 of Form W-2.

The purpose of Box 11 of Form W-2 is for the Social Security Administration (SSA) to determine if a taxpayer earned any part of the amount that was reported in Box 1 or Boxes 3 and/or 5 of Form W-2 in a prior year. The SSA uses this information to verify that they properly applied the Social Security earnings test and paid the correct amount of benefits. Amounts reported in Box 11 may be included in Box 1 of the Form W-2.

The instructions for Line 8t of Form 1040 Schedule 1 explain that a taxpayer report on Line 8t the amount that was received as a pension or annuity from an NQDC plan; the

instructions note that this amount may be shown in Box 11 of Form W-2. Taxpayers combine amounts reported on Line 8t of Form 1040 Schedule 1 with other amounts treated as additional income and enter the total on Form 1040, Line 8.

The Form 1040 instructions also explain that the total amount from Box 1 of Form W-2 is entered on Form 1040 Line 1a. However, the Form 1040 instructions also include a caution to taxpayers who received a pension or annuity from an NQDC plan or a nongovernmental Section 457(b) plan that was reported in Box 1 of Form W-2. The caution notes that taxpayers should not include this amount on Form 1040, Line 1a, but rather the amount is reported on Schedule 1, Line 8t.

Therefore, if an amount received from an NQDC plan is reported in both Boxes 1 and 11 of Form W-2, a taxpayer will generally subtract that amount from the total entered on Line 1a of Form 1040. Taxpayers should instead report the Box 11 amount only on Schedule 1, Line 8t.

I have enclosed a copy of the relevant pages from the 2024 Form 1040 instructions. In this letter, I only provided certain general principles of law. This explanation is intended for informational purposes only and does not constitute a ruling. See Revenue Procedure 2025-1, Section 2.04, 2025-1 I.R.B. 1 (December 30, 2024).

I hope this information is helpful. If you have any questions, you can contact me at _____, or _____, general attorney, at _____.

Sincerely,

Danchai Mekadenaumporn
Senior Technician Reviewer
Employment Tax, Branch 1
Office of the Associate Chief Counsel

Enclosure