## Lesson 3 – Forms W-3 and W-2

#### Slide 1

Welcome to this presentation.

I've a few announcements before we get started.

The information contained in this presentation is current as of the day it was presented, and shouldn't be considered official guidance.

Any stories, names, characters, and incidents portrayed in this production are fictitious. No identification with actual persons (living or deceased), places, buildings, and products is intended or should be inferred.

This program will be maintained in accordance with federal recordkeeping laws.

Now let's get started.

This is the third of 12 lessons we've created to teach you about payroll taxes.

#### Slide 2

In this lesson, we'll concentrate on filling out Forms W-2 and W-3.

#### Slide 3

Publication 15, the Employer's Tax Guide, explains your responsibilities as an employer. The IRS updates this publication annually. You should download a current version at the beginning of each year and review "What's New" for any changes.

### Slide 4

Pub 15 details the employer's annual responsibilities for furnishing, filing, and reconciling W-2s. There's a chart at the beginning of Pub 15 that lists a

brief summary of your basic responsibilities. Each item has a page reference to a more detailed discussion in the publication.

### Slide 5

In this lesson, you'll learn:

- How to prepare and review Forms W-2 and W-3
- When you need to file W-3 and W-2
- And I'll discuss the employment tax desk guide

# Slide 6

Publication 4268, Employment Tax Guide for Indian Tribal Governments, contains information regarding the tax treatment of employees and contractors, preparing and filing employment tax returns, as well as other related issues.

Here are just a few of the chapter topics included in the desk guide.

- Employee versus independent contractor (discussed in Chapter 2)
- Chapter 3 addresses treatment of tribal council member payments
- Chapters 11, 12, and 13 cover employment taxes, preparation of payroll checks, and Form 941
- Chapters 17 and 18 discuss Form W-2, Wage reports

This guide's available only on the internet and can't be ordered in print.

To use this desk guide as a companion to Pub 15, you may download a copy at the address shown.

#### Slide 7

Form W-2, Wage and Tax Statement, shows the total wages and withholdings of an employee for a calendar year.

The total of all W-2s for employees during a calendar year must match the Forms 941 for the same period. If they don't match, there's an error that needs correcting. A later lesson discusses how to reconcile Forms 941 and W-2 then make necessary corrections.

### Slide 8

Employee information reported on the W-2 includes total annual wages, social security and Medicare wages, along with taxes withheld from these respective wages.

# Slide 9

You must provide employees their copy of Form W-2 by Jan. 31. All forms, whether you're filing on paper or electronically, are due to the Social Security Administration by Jan. 31. This new filing due date came into effect beginning with 2016 forms.

#### Slide 10

Now we're going to discuss tribal council members' pay.

Although employees, amounts paid to tribal officers and tribal council members meeting fees, stipends, honorariums, incentives, salaries, and any other payments are treated differently for withholding purposes.

Revenue Ruling 59-354, sets forth a limited employment tax exception for amounts paid to tribal council members for services performed as council members.

The ruling holds that while these amounts are includible in the council member's gross income, payments for services they perform as council members don't constitute wages for purposes of Federal Insurance Contributions Act (FICA), Federal Unemployment Tax Act (FUTA), and federal income tax withholding.

Per the revenue ruling, you're required to provide Forms W-2 to these individuals. As such, tribal officials are liable for federal income tax on these wages when they file their individual income tax return, Form 1040.

Some may voluntarily request income tax withholding to avoid personal year-end deficiencies. However, tribal council members can't voluntarily have FICA taxes withheld from their tribal council wages to be covered for social security and Medicare purposes.

Completion of a council member's W-2 will be demonstrated shortly.

### Slide 11

Here's Form W-2. Next, we'll show you what a properly completed W-2 looks like for both regular employees and tribal council members.

## Slide 12

Here's an example of W-2 completed for a regular employee. It provides the employer's EIN in Box B and the employer's name and address in Box C.

The employee's SSN, name, and address are in Boxes A, E and F.

Jonathan Employee's total wages for the year are reported in Box 1, while his federal income tax withholding's in Box 2. Jonathan isn't a tribal council member, so his wages are subject to Social Security and Medicare tax.

Boxes 3 and 5, respectively, show the total amount of his wages subject to these taxes. Box 4 shows what was withheld from Jonathan's wages for social security tax, while Box 6 shows what was withheld for Medicare tax.

### Slide 13

A tribal official's W-2 shows much of the same information as a regular employee's W-2. They both show the name, address, and EIN of the entity that's issuing the W-2, in this case XYZ Tribe.

And they have the employee's name (Irma Tribal Official), address, and SSN. They also both show the total wages earned for the calendar year in Box 1. But that's where the similarities end.

You can see there's nothing in boxes 2, 3, 4, 5, or 6. That's because tribal

council members aren't subject to income tax withholding, or social security and Medicare tax.

In order for the Social Security Administration (SSA) and the IRS to know why this employee's not subject to these taxes, you must have a memo entry in Box 14, "other."

Insert RR 59-354 as well as the wages earned as a tribal council member. Box 14 entry's necessary to show why this person's exempt from these taxes based on Revenue Ruling 59-354.

If the tribal council member requested federal income tax withholding, Box 2 would reflect any voluntarily-withheld amounts.

Part of your responsibility as an employer is to provide the council member with either a copy of the revenue ruling or a statement advising his W-2's treated differently, and his earnings don't constitute wages for purposes of FICA or federal withholding taxes. The council member should keep a copy of the revenue ruling or statement with their individual tax records.

Wages paid to tribal council members for services performed in another capacity are subject to the normal withholding requirements. Tribal council members may receive two Forms W-2, one for tribal council member wages and one for services performed in their other capacity.

# Slide 14

Once you've completed all the W-2s for the year, you'll fill out Form W-3. The W-3's a transmittal form for the W-2. It summarizes the total wages and withholding of all employees for the calendar year.

The total on the W-3 should match the total of the four quarterly 941s filed for the same calendar year. If they don't match, there's an error that needs correcting. A later lesson will discuss how to reconcile the forms and make necessary corrections.

#### Slide 15

Here's a blank W-3. As you can see, the boxes have similar information as

on the W-2 except for personal employee information.

### Slide 16

This is a properly filled out W-3. It shows the information that was on the two W-2s shown earlier for Jonathan Employee and Irma Tribal Official.

For Box B, kind of payer, we checked 941 because we file Forms 941 and are transmitting Forms W-2 for employees covered by social security and Medicare.

For Box B, kind of employer, check the box that applies to you. We chose none apply because none of the other options apply. We're not a nongovernmental tax-exempt 501(c) organization, not a state or local non 501c, not a state or local 501c, and not a federal government. So, in this case, none apply.

Box C shows the number of completed individual Forms W-2 that you're transmitting with this Form W-3. In this case two. Don't count void Forms W-2.

Boxes E, F, and G show the employer's information, that is, the EIN, name, and address.

For Boxes 1 - 6, enter the totals reported in Boxes 1 - 6 on the Forms W-2 being submitted.

### Slide 17

After you've compiled the W-2 and W-3 data, you'll need to furnish W-2s to your employees by Jan. 31. You must furnish Copies B, C, and 2 of Form W-2 to your employees. You'll meet the "furnish" requirement if the form's properly addressed and mailed on or before the due date.

You'll also need to file W-2s, Copy A, with the SSA. If you're filing fewer than 250 W-2 forms, you may choose to file either paper or electronic forms.

If you're filing 250 or more Forms W-2 you must file the forms electronically.

If you're required to electronically file, but fail to do so, you may incur a penalty.

If you file electronically, don't file the same paper Forms W-2. This would cause duplication and further problems. Use one or the other – not both.

# Slide 18

The SSA encourages employers to electronically file, even if they aren't required. They've a free e-file service where they can fill out the forms and submit them. E-filing saves time and effort – and helps ensure accuracy.

## Slide 19

To register, go to <a href="https://www.ssa.gov/employer">https://www.ssa.gov/employer</a>, select "Electronically file your W-2's," and provide registration information.

### Slide 20

Once you're registered and have your PIN and password, the website provides fillable versions of the W-2 form. Just enter the information and it populates the W-2.

The website automatically totals the W-2s and creates a W-3 for you. We'll have more information about electronically filing W-2 forms in a later lesson.

### Slide 21

If you're filing fewer than 250 W-2s and choose to file via paper, go to IRS.gov's online ordering site (https://www.irs.gov/businesses/online-ordering-for-information-returns-and-employer-returns) to order forms or call 1-800-829-3676 to place an order. Paper forms should be ordered in early November to allow enough time for delivery and preparation.

# Slide 22

If you choose to file paper forms, they must be on red IRS approved paper. They can't be printed directly from a software program onto regular paper. If they're sent in on regular paper, they may be unacceptable for processing.

# Slide 23

This concludes Lesson 3. You should now know how to properly fill out Forms W-2 and W-3 and the due dates for these forms. Also, Publication 4268 was introduced as a companion reference source for your employment tax-related issues.

Thank you.