

Racine County Finance Department

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MEMO

To: All Employees

From: Payroll

Date: 1/19/2017

RE: W-2 Informational Reporting

Under the regulations of the Affordable Care Act, the County is now required to report to employees the cost of their employer-sponsored group health plan coverage. The amount reported (in box 12 of your W-2 with code designation DD) has been calculated based on the number of months you were insured under the County's health plan and the premium rate for your selected coverage and plan. This reporting is informational only and has no effect on your taxable earnings for 2016.

In addition to this new required reporting, the County also reports other informational items on your W-2. This includes the following items:

- Box 12, Code C = cost of group term life insurance in excess of \$50,000 provided to an employee.
- Box 12, Code G = employee contributions to County's deferred compensation or 457 plan.
- Box 14, Code PENPL = Unadjusted amount of an employee's pre-tax contributions to the Wisconsin Retirement System (WRS). Note, this amount may be adjusted before final reporting to the WRS. Any employees with an adjustment will be notified with additional details.
- Box 14, Code UNIFM = Amount of employer-paid clothing allowance for deputies in the Sheriff's Office.
- Box 14, Code UNION = Amount of employee-paid union dues.
- Box 14, Code TUITN = Amount of tuition reimbursement paid to an employee.

If you have further questions on how these amounts were calculated, please contact payroll. If you have a question about how these amounts impact on your tax reporting, please seek advice from a tax professional. Racine County is not qualified to and cannot provide any tax advice to employees.

Some other common FAQ's payroll receives about W2 forms are included on the back of this memo. Please review them prior to calling payroll with your questions.

Q1 – Why does Box 1 (Wages, tips, other comp) of my W2 differ from gross income on my last paystub?

A1 – Box 1 of your W2 is federal taxable wages and includes things such as vehicle fringe benefits and excess life insurance amounts over \$50,000 while excluding non-taxable items such as pre-tax health insurance premiums, contributions to dependent care and/or health care flexible spending accounts, and contributions to WRS and your deferred comp or 457 plan. See below for a reconciliation summary:

- YTD Gross Income on last pay stub (your gross income includes Group Term Life Insurance Premium > \$50,000 coverage (amount shown in box 12 code C of your W2 and Vehicle Fringe Benefit (personal use of a County vehicle)
- Deferred Compensation 457(b) plan contributions (box 12 code G)
- Dependent Care (box 10)
- Flexible Medical Spending Account
- Non-taxable Tuition Reimbursement (box 14 code TUITN)
- Pre-Tax Health Insurance
- Retirement Contributions to WRS (box 14 code PENPL)
- = Box 1 reported wages and other compensation

Please note that Pre-Tax Health Insurance and Retirement Contributions to WRS include only the employee portion paid. These amounts do not include any amounts paid or contributed by the County.

Q2 – Why does Box 3 (Social Security Wages) and Box 5 (Medicare wages and tips) of my W2 differ from gross income on my last paystub?

A2 – This box reports only those wages that are subject to Social Security or Medicare taxes. Note that Social Security taxes only apply to the first \$118,500 of wages. For most employees, Box 3 and Box 5 will show the same amount. For employees who earn more than \$118,500 of taxable Social Security wages, Box 3 will show the max amount of \$118,500. See below for a reconciliation summary:

- YTD Gross Income on last pay stub (your gross income includes Group Term Life Insurance Premium > \$50,000 coverage (amount shown in box 12 code C of your W2 and Vehicle Fringe Benefit (personal use of a County vehicle)
- Dependent Care (box 10)
- Flexible Medical Spending Account
- Non-taxable Tuition Reimbursement (box 14 code TUITN)
- Pre-Tax Health Insurance
- = Box 3 and Box 5 reported wages

Please note that Pre-Tax Health Insurance includes only the employee portion paid. This amount does not include any amount paid by the County for health insurance.

Q3 – Why does Box 1 differ from Box 3 and Box 5 of my W2?

A3 – As noted in the above reconciliations, box 1 of your W2 excludes Deferred Compensation 457(b) plan contributions and your WRS contributions. These two items are considered taxable for Social Security and Medicare and are therefore not excluded from the wages reported in box 3 and box 5.

These summaries should help most employees reconcile their Form W-2 to their pay stub, but does not contain all possible adjustments. If you have additional questions, please contact payroll at 262-636-3706.