



TO: Business Clients

FROM: Sassetti LLC

DATE: December 3rd, 2019

RE: W-2's and Year end Inclusions of Taxable Fringe Benefits

If you made any payments to employees in 2019 (wages, tips, fringe benefits, or other compensation), now is a good time to begin accumulating the necessary information in order to file your Forms W-2 in a timely manner in early 2020. In particular, if you utilize an outsourced payroll service, they will likely require you to provide them with any W-2 adjustment (usually fringe benefit adjustments) prior to the last payroll run of the year. We hope that you will find the following checklist useful for the items that are new in 2019 or can commonly cause confusion as W-2's are prepared and finalized:

FILING DEADLINES TO AVOID PENALTIES:

	Government Copy	Recipient Copy
W-2	January 31 st	January 31 st
Form 8809 extension request – approved only in limited circumstances and does not extend time to furnish Forms W-2 to employees	January 31 st	N/A
Extended filing date	March 1 st	N/A

1. **Box 9 Verification code** is no longer required. This pilot program has ended, so Box 9 is no longer in use.
2. **Leave Based Donation Programs** – Employees are eligible until January 1, 2020 to donate vacation, sick or personal leave in exchange for a cash donation to a qualified tax- exempt organization providing flood relief to victims of the storms and flooding as a result of Hurricane Michael. Any donated wages will not be reported on the employee's W-2 but will become a deductible cash donation for the company.
3. **Higher Penalties** continue to apply for the failure to file by the due date and intentional disregard of the filing requirements. Penalties range from \$50 to \$270 per W-2 Form depending on how overdue the W-2 was filed. Safe harbor de minimis rules have also been defined that will reduce any penalties that might apply for corrections as long as the original W-2 form was timely filed.
4. **Company Vehicles** - If an employee has been provided with a company vehicle, the amount of the personal benefit received by the employee will need to be determined and reported in boxes 1 and 14. Attached to this e-mail is a worksheet that you may find

useful in gathering the required information relative to the personal use of company vehicles. Please return it to our office and we will provide you with the required fringe benefit to be included in the W-2 so that timely tax withholdings can be calculated and submitted prior to the end of the calendar year.

5. **Earned Income Credit Notice** - If you have employees who have no Federal income tax withheld, you must notify them that they may be able to claim an income tax refund because of the Earned Income Credit (EIC). You can do this by using a W-2 Form with the EIC notice on the back of Copy B.
6. **Accountable Plan** - Expense reimbursements to employees are included in gross wages unless you have an Accountable Plan in place. If you do not have an Accountable Plan in place, please contact us to discuss.
7. **S-corporation shareholder health insurance premiums** (owning 2% or more) paid on behalf of the owners should be included in the wages as reported in box 1 and box 14 and treated as wages on the corporate tax return. The owner will then be allowed to take a self-employed health insurance deduction on his/her personal tax return equal to the amount reported in box 14.
8. **S-corporation shareholders wages** must be paid for shareholders who work in the business, at an appropriate level, so that payroll taxes are not underpaid. This continues to be an area of ever increasing IRS scrutiny.
9. **Health Savings Accounts** (often referred to as HSA's) are being used by more employers each year as an additional fringe benefit. All contributions made to an employee's HSA should be reported in box 12 (code W) of the W-2.
10. **Retirement Plan coverage** needs to be indicated on the W-2. This is reflected in box 13 of the W-2. Refer to the Box 13 Retirement Plan Check Box Decision Chart on the last page of this memo for guidance on when to check yes in box 13. Special limits may apply to the amount of traditional IRA contributions one may deduct if this box is checked so accuracy is crucial.
11. **Other taxable fringe benefits** are reported in box 12. Review the table for box 12 codes on the last page of this memo to see if any might apply to any of your employees.
12. **Avoid common mistakes** that delay processing by the IRS:
 - Do not omit decimal points or cents or use \$ signs.
 - Do not use ink that is too light. Black ink is the IRS preference.
 - Do not make entries that are too small or large – 12 point Courier font is recommended.
 - Do not inappropriately check the Retirement Plan checkbox in box 13.
 - Enter the correct employer EIN and employee's social security number.
 - Enter only the employee's first name and initial in the first box and the last name in the second box. Any applicable suffix (such as "Jr") is entered in the third box.
 - Do not cut, fold or staple Copy A paper forms mailed to SSA.
 - Use only approved government forms to file with the SSA.

Form W-2 Reference Guide for Box 12 Codes

A	Uncollected social security or RRTA tax on tips	L	Substantiated employee business expense reimbursements	Y	Deferrals under a section 409A nonqualified deferred compensation plan
B	Uncollected Medicare tax on tips (but not Additional Medicare Tax)	M	Uncollected social security or RRTA tax on taxable cost of group-term life insurance over \$50,000 (former employees only)	Z	Income under a nonqualified deferred compensation plan that fails to satisfy section 409A
C	Taxable cost of group-term life insurance over \$50,000	N	Uncollected Medicare tax on taxable cost of group-term life insurance over \$50,000 (but not Additional Medicare Tax) (former employees only)	AA	Designated Roth contributions under a section 401(k) plan
D	Elective deferrals under a section 401(k) cash or deferred arrangement plan (including a SIMPLE 401(k) arrangement)	P	Excludable moving expense reimbursements paid directly to a member of the U.S. Armed Forces.	BB	Designated Roth contributions under a section 403(b) plan
E	Elective deferrals under a section 403(b) salary reduction agreement	Q	Nontaxable combat pay	DD	Cost of employer-sponsored health coverage
F	Elective deferrals under a section 408(k)(6) salary reduction SEP	R	Employer contributions to an Archer MSA	EE	Designated Roth contributions under a governmental section 457(b)
G	Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan	S	Employee salary reduction contributions under a section 408(p) SIMPLE plan	FF	Permitted benefits under a qualified small employer health reimbursement arrangement
H	Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan	T	Adoption benefits	GG	Income from qualified equity grants under section 83(i)
J	Nontaxable sick pay	V	Income from exercise of nonstatutory stock option(s)	HH	Aggregate deferrals under section 83(i) elections as of the close of the calendar year
K	20% excise tax on excess golden parachute payments	W	Employer contributions (including employee contributions through a cafeteria plan) to an employee's health savings account (HSA)		