



INSTRUCTIONS FOR FORM W-2



By January 31, 2007, an employer must give or mail employee's copies to each employee from whom tax was withheld during the year or wages paid for services.

For employees whose employment ends before the end of the year, W-2 Forms can be supplied any time after employment ends, but no later the January 31, 2007. But if the employee requests his or her W-2 Form, it must be furnished within 30 days of the request or within 30 days after the final wage payment, whichever is later.

Only originals or ribbon copies of Copy A (Form W-2) and W-3 may be filed with the SSA. Carbon copies and photocopies are not acceptable.

Employees should type or machine print entries on forms whenever possible and provide good quality data entries by using a high quality type face, inserting data in the middle of blocks that are well separated from other printing and guidelines, and taking any other measures that will guarantee clear, sharp images. Omit dollar signs but include decimal points for all cents amounts.

What's New

New code AA, box 12. IRS has added code **AA** to report designated Roth contributions to a section 401(k) plan.

New code BB, box 12. IRS has added code **BB** to report designated Roth contributions under a section 403(b) salary reduction agreement.

New Form 944. IRS has added a checkbox for Form 944, Employer's Annual Federal Tax Return, to box b of Form W-3. Form 944 for 2006 is a newly developed form.

Suffix entry, box e. IRS has added a separate entry field to box e (employee's name) on Form W-2 for employee suffix names such as "Jr." or "Sr."

Employee instructions added to Copy 2. IRS has made the employee instructions on the back of Copy C easier to read by increasing their type size and continuing the instructions on the back of Copy 2.

Box A: Control Number

This is a code that identifies this unique Form W2 document in your employer's records. This number is assigned by the company's payroll processing software.

Form Identifying Number 22222

This number tells the scanning equipment used by SSA which information document (Form W-2) it is reading.

Void

Put an X in this square when an error has been made. Form W-2 should have no erasures, whiteouts or strikeovers on Copy A.

Box B: Identification Number

Each church subject to federal withholding is assigned a nine-digit number separated as follow: 00-0000000. This should be the same number used on your federal employment tax returns (Form 941, 943, 944, 945).

Box C: Name, Address, and Zip Code

Line 1: Name of church

Line 2: Street or post office box address

Line 3: City, state and zip code number

This entry should be the same as shown on Forms 941, 943 or 944.

Box D: Employee's Social Security Number

Provide the number shown on the employee's Social Security card. If the employee does not have a number, he or she should apply for one at any SSA office. <http://www.ssa.gov/online/ss-5.html>

Box E: Employee's Name

Enter the name as shown on the employee's Social Security card (first, middle initial, last). If the name has changed have the employee get a corrected card from any SSA office.

Box F: Employee's Address and Zip Code

This box has been combined with Box E (employee's name) on all copies except Copy A to allow employees' copies to be mailed in an envelope or as a self-mailer. Do not show titles or academic degrees, such as "Dr.," or "Rev." At the beginning or end of the employee name.

Box 1: Wages, Tips and Other Compensation

Box 1 reports your total taxable wages for federal income tax purposes. This figure includes your wages, salary, tips you reported, bonuses, and other taxable compensation. Any taxable fringe benefits (such as group term life insurance) are also included in your Box 1 wages. See the limited list below.

1. Base salary
2. Church reimbursements paid under a nonaccountable plan
3. Bonuses
4. Christmas gifts paid by the church
5. Social security allowance
6. Taxable fringe benefits
7. Distributions from a nonqualified deferred compensation plan, Section 457
8. Housing Equity distribution
9. Certain scholarships or grants
10. The employee's share of taxes paid by the church
11. Severance pay

Do not include housing or parsonage allowance, accountable reimbursements, deferred compensation or Housing Equity plans contributions, pension payments and other qualified fringe benefits.

Box 2: Federal Income Tax Withheld

Box 2 reports the total amount withheld from your paychecks for federal income taxes. This represents the amount of federal taxes you have paid-in throughout the year. This amount should be the same as the amount of withheld income taxes reported on your 941 forms.

Clergy are exempt from federal withholding unless they have elected the optional withholding method.

Box 3: Social Security Wages

Not applicable to clergy. Clergy are exempt from FICA. Report any secular wages subject to FICA taxes. Usually the same as box 1, but not always. The total of box 3 and 7 should not exceed \$94,200 (2006 maximum social security wage base).

Box 4: Social Security Tax Withheld

Not applicable to clergy. Clergy who report their income taxes as employees are treated as self-employed for social security purposes.

Report FICA (social security) taxes that you withheld from any secular employee.

Box 5: Medicare Wages and Tips

Not applicable to clergy.

The wages and tips subject to Medicare tax are the same as those subject to social security tax (box 3 and 7), except that the wage base for Medicare is unlimited.

Box 6: Medicare Tax Withheld

Not applicable to clergy.

Enter any secular Medicare tax withheld.

Box 7: Social Security Tips

Not applicable to clergy.

Box 8: Allocated Tips

Not applicable to clergy.

Box 9: Advanced EIC (Earned Income Credit) Payment

Advance EIC payments are paid to an employee who files a Form W-5 with his or her employer and is eligible by (a) earning less than \$28,280 for the year and (b) having a child living with him or her.

Box 10: Dependent Care Benefits

Box 10 reports any amounts reimbursed for dependent care expenses, or the dollar value of dependent care services provided by your employer. Amounts under \$5,000 are non-taxable benefits. Any amount over \$5,000 is reported as taxable wages in Boxes 1, 3, and 5.

Box 11: Nonqualified Plans

Box 11 reports any amounts distributed to you from your employer's non-qualified deferred compensation plan or non-government Section 457 pension plan. The amount in Box 11 is already included as taxable wages in Box 1.

Box 12: Deferred Compensation and Other Compensation

There are several types of compensation and benefits that can be reported in Box 12. Box 12 will report a single letter or double letter code followed by a dollar amount.

Complete and code this box for all items described below that apply. Do not report in box 12 any items that are not listed as codes A-Z, AA, BB. Use the code along with the dollar amount. The code should be entered using capital letters. Leave one space blank after the code, and enter the dollar amount on the same line. Use decimal points, but do not use dollar signs or commas. (For example, 401k contributions of \$4,300.00 would be reported as D 4300.00.) The box was enlarged to allow for three entries instead of two as in the past.

A - Uncollected Social Security or RRTA tax on tips. Will generally not apply to church employees

B - Uncollected Medicare tax on tips

C - Taxable benefit of group term-life insurance over \$50,000. Already included as part of your taxable wages in Boxes 1, 3, and 5.

D - Non-taxable elective salary deferrals to a 401(k) or SIMPLE 401(k) retirement plan.

E - Non-taxable elective salary deferrals to a 403(b) retirement plan.

F - Non-taxable elective salary deferrals to a 408(k)(6) SEP retirement plan.

G - Non-taxable elective salary deferrals and non-elective employer contributions to a 457(b) retirement plan.

H - Non-taxable elective salary deferrals to a 501(c)(18)(D) tax-exempt plan. Will generally not apply to churches

J - Nontaxable sick pay. This amount is not included in taxable wages in Boxes 1, 3, or 5.

K - Excise tax (equal to 20%) on excess "golden parachute" payments. Will generally not apply to churches

L - Non-taxable reimbursements for employee business expenses.

M - Uncollected Social Security or RRTA tax on taxable group term life insurance over \$50,000 for former employees. Will generally not apply to churches

N - Uncollected Medicare tax on taxable group term life insurance over \$50,000 for former employees. Will generally not apply to churches

P - Non-taxable reimbursements for employee moving expenses, if the amounts were paid directly to the employee.

Box 12: Deferred Compensation and Other Compensation

Q - Non-taxable combat pay. Will generally not apply to churches

R - Employer contribution to a medical saving account (MSA)

S - Employee salary reduction contributions to a section 408(p) SIMPLE

T - Employer paid adoption benefits. This amount is not included in Box 1 wages.

V - Will generally not apply to churches

W - Employer contributions to your Health Savings Account.

Y - Salary deferrals under 409A non-qualified deferred compensation plan.

Z - Income received under 409A non-qualified deferred compensation plan. This amount is already included in taxable wages in Box 1. Churches and denominational agencies that offer rabbi trusts should take note of the change.

AA. – Designated Roth contributions to a section 401(k) plan.

BB - Designated Roth contributions to a section 403(b) salary reduction plan.

Box 13: Check the Box

There are three check boxes in Box 13. Boxes will be checked off if any of these situations apply to you as an employee.

Statutory Employee:

Churches rarely have statutory employees (e.g. certain drivers, insurance agents, and salespersons).

Retirement Plan:

If employee was an active participant in a retirement plan maintained by the church, check this box. Do not check this box if contributions are to a nonqualified deferred compensation or housing equity plan.

Third party sick-pay:

Will generally not apply to churches.

Box 14: Other Tax Information

Your employer may report additional tax information in Box 14. If any amounts are reported, they will have a brief description of what the amounts are for. For example, union dues, employer-paid tuition assistance, fair rental value of parsonage, housing or parsonage allowance, utilities allowance or utilities paid by the church, educational reimbursements, health insurance premiums you paid, or after-tax contributions to a retirement plan will be reported here.

Housing Sample:	Housing 18,000
Parsonage Sample:	FRV – 6,600 Utilities – 1,200 Parsonage Allowance – 2,000

Box 15: Employer's State I.D. Number

Box 15 reports your employer's state and state tax identification number. If you worked for the same employer in multiple states, there may be multiple lines of information.

This box is separated into two parts by a dotted line so that you may report two state I.D. numbers if you are reporting wages for two states. If you are reporting for one state, enter the number in the top portion of the box above the dotted line.

Box 16: State wages

Box 16 reports the total amount of taxable wages earned in that state. If you worked for the same employer in multiple state, there may be multiple lines of information.

Box 17: State income tax withheld

Box 17 reports the total amount of state income taxes withheld from your paychecks for the wages reported in Box 16.

Box 18: Local wages

Box 18 reports the total amount of wages subject to local, city, or other state income taxes.

Box 19: Local income tax withheld

Box 19 reports the total amount of taxes withheld from your paychecks for local, city, or other state income taxes.

Box 20: Locality name

Box 20 provides a brief description of the local, city, or other state tax being paid. The description may identify a particular city, or may identify a state tax such as State Disability Insurance (SDI) payments.

a Control Number		22222	Void <input type="checkbox"/>	For Official Use Only > OMB No. 1545-0008		
b Employer's identification number (EIN)			00-000000	1 Wages tips, other compensation	24,448	2 Federal income tax withheld
c Employer's name, address, and ZIP code First United Church 1042 Main Street Hometown, Texas 77099			3 Social security wages		4 Social Security tax withheld	
			5 Medicare wages and tips		6 Medicare tax withheld	
d Employee's social security number			000-00-0000	7 Social Security Tips	8 Allocated Tips	
e. Employee's first name and initial		Last name	Suff.	13 Statutory Employee	Retirement Plan	Third-Party sick pay
John E.		Michaels		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f Employee's address and Zip code 1040 Main Street Hometown, TX 77099			14 Other		10 Dependent care benefits	
			Parsonage 2,000 Utilities – 1,200.00 FRV – 6,600		12a See Instructions for box 12	
					12b	
					12c	
				12d		
15 State	Employer's state I.D. Number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
		24,448				

W-2 Wage and Tax Statement 2006

PARSONAGE SAMPLE

a Control Number		22222		Void <input type="checkbox"/>		For Official Use Only > OMB No. 1545-0008			
b Employer's identification number (EIN)			00-000000		1 Wages tips, other compensation		2 Federal income tax withheld		
c Employer's name, address, and ZIP code <i>First United Church 1042 Main Street Hometown, Texas 77099</i>			3 Social security wages		4 Social Security tax withheld				
			5 Medicare wages and tips		6 Medicare tax withheld				
d Employee's social security number			000-00-0000		7 Social Security Tips		8 Allocated Tips		
e Employee's name and initial		Last name		Suff.		9 Advance EIC payment		10 Dependent care benefits	
<i>John E.</i>		<i>Michaels</i>				11 Nonqualified plans		12a See Instructions for box 12	
f Employee's address and Zip code <i>1040 Main Street Hometown, TX 77099</i>		13 Statutory Employee		Retirement Plan		Third-Party sick pay		12b	
		<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>		12c	
		14 Other						12d	
		Housing 22,000							
15 State	Employer's state I.D. No.	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name			
		24,448							

W-2 Wage and Tax Statement 2006

HOUSING SAMPLE