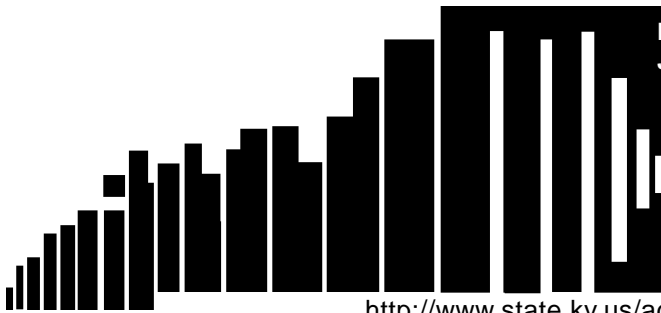


Please distribute this informational release to all appropriate payroll or finance officials within your organization.



Paul E. Patton, Governor
John P. McCarty, Secretary

Edgar C. Ross, Controller
Patrick L. Doyle, Division Director

Division of Social Security

Finance & Administration Cabinet
Division of Social Security
P.O. Box 557
Frankfort, KY 40601
502/564-3952

<http://www.state.ky.us/agencies/finance/depts/ss/divss.htm>

Autumn 1999

1999 Form W-2 Overview

Who must file Form W-2?

Employers must file Form W-2 for wages paid to each employee from whom:

- Income, social security, or Medicare taxes were withheld or
- Income tax would have been withheld if the employee had claimed no more than one withholding allowance or had not claimed exemption from withholding on **Form W-4**, Employee's Withholding Allowance Certificate.

Also, every employer who pays remuneration for services performed by an employee, including noncash payments, must furnish a Form W-2 to each employee.

If you are required to file 250 or more Forms W-2, see **magnetic media reporting** on page 4.

When to file

File Copy A of Form W-2 with the entire page of Form W-3 by **February 29, 2000**. You may owe a penalty for each Form W-2 you file late.

Where to file

File Copy A of Form W-2 with the entire page of Form W-3 at the following address:

Social Security Administration
Data Operations Center
1150 E. Mountain Drive
Wilkes-Barre, PA 18769-0001

Magnetic Media Reporting

If you are required to file 250 or more Forms W-2, you must file them on magnetic media (or electronically) unless the IRS has granted you a waiver. You may be charged a penalty if you fail to file on magnetic media (or electronically) when required.

If you are filing Forms W-2 on magnetic media, you will need Form 6559, Transmitter Report and Summary of Magnetic Media, and you may also need

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Changes to 1999 Form W-2

Election workers

Kentucky counties, generally, do not issue a Form W-2 to any election worker who is paid less than \$600 per year. Do not withhold FICA unless the election worker is paid \$1,000 or more per year. Do not report payments to elections workers on Form 1099-MISC.

Extended due date for electronic filers

If you file your 1999 Forms W-2 with the SSA electronically (not by magnetic media), the due date is extended to March 31, 2000. For information on how to file electronically, call the SSA at 1-800-772-6270.

Separate fringe benefit reporting optional

You no longer need to separately report taxable fringe benefits that are shown in box 1 of Form W-2, except for the annual lease value of a vehicle provided to an employee. You must, however, report the lease value of a vehicle in box 12 or on a separate statement to the employee.

Incorrect address on employee's Form W-2

You may reissue a Form W-2 to an employee by placing the Form W-2 with an incorrect employee address in an envelope with the correct address for mailing to the employee.



The Commonwealth of Kentucky does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the providing of services and will provide, upon request, reasonable accommodation including auxiliary aids and services necessary to afford individuals with disabilities an equal opportunity to participate in all programs and activities.

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1999 Form W-2 Overview

Form 6559-A, Continuation Sheet for Form 6559. **Do not use Form W-3.**

Note: If you file on magnetic media (or electronically), do not file the same returns on paper.

Magnetic media reporting specifications for Form W-2 are in the SSA's **Pub. No. 42-007 (TIB-4)**, *Magnetic Media Reporting*, and **Pub. No. ICN (MMREF-1)**, *Magnetic Media Reporting and Electronic Filing*. They can be downloaded from the SSA's web page at www.ssa.gov. You can also get magnetic media (or electronic) specifications by contacting any Social Security Employer Services Liaison Officers (ESLO). Contact the Kentucky ESLO at 502/875-8315. See page 4 for additional information on magnetic media reporting.

Corrections

Use **Form W-2c**, Corrected Wage and Tax Statement, to correct errors (such as incorrect name, SSN or amount) on a previously filed Form W-2. Send **Form W-3c**, Transmittal of Corrected Wage and Tax Statements, with Forms W-2c unless you are only correcting a name or SSN. See **Employee's incorrect address on Form W-2** below for information on correcting an employee's address. Use Form W-3c to correct a previously filed Form W-3.

If you discover an error on Form W-2 after you issue it to your employee but before you send it to the SSA, mark the "**Void**" box at the top of the form on Copy A. Prepare a new Copy A with the correct information, and send it to the SSA. Write "Corrected" on the new employee's copies (B, C and 2), and furnish them to the employee. (If the "Void" Form W-2 is on a page with a correct Form W-2, send the entire page to the SSA. The "Void" form will not be processed.)

If you are making an adjustment in 1999 to correct social security and Medicare taxes for a prior year, you must file **Form 941c**, Supporting Statement To Correct Information, with your **Form 941**, Employer's Quarterly Federal Tax, in the return period you find the error, and issue the employee a Form W-2c for the prior year. If you are correcting social security or Medicare wages or tips, also file the entire first page of Forms W-2c with Form W-3c with the SSA to correct the social security records.

Employee's incorrect address on Form W-2

If you filed a Form W-2 with the SSA showing an incorrect address for the employee but all other information on the Form W-2 is correct, **do not** file Form W-2c with the SSA merely to correct the address.

However, if the address was incorrect on the Form W-2 furnished to the employee, **you must do one of the following:**

- Issue a new Form W-2 containing all correct information, including the new address. Indicate "REISSUED STATEMENT" on the new copies. **Do not** send Copy A to the SSA.
- Issue a Form W-2c to the employee showing the correct address in box b. **Do not** send Copy A to the SSA.
- Reissue Form W-2 with the incorrect address to the employee in an envelope showing the correct address.

Deceased employee's wages

If an employee dies during the year, you must report the accrued wages, vacation pay, and other compensation paid after the date of death.

If you made the **payment in the same year the employee died**, you must withhold social security and Medicare taxes on the payment and report the payment on the employee's Form W-2 only as social security and Medicare wages to ensure proper social security and Medicare credit is received.

On the employee's Form W-2, show the payment as social security wages (box 3) and Medicare wages and tips (box 5) and the social security and Medicare taxes withheld in boxes 4 and 6. **Do not show the payment in box 1.**

If you made the **payment after the year of death**, do not report it on Form W-2, and do not withhold social security and Medicare taxes.

Whether the payment is made in the year of death or after the year of death, you also must report it in box 3 of **Form 1099-MISC**, Miscellaneous Income, for the payment to the estate or beneficiary. Use the name and taxpayer identification number (TIN) of the payment recipient on Form 1099-MISC.

Example (This example assumes the employee is covered for social and medicare. Contact the Division of Social Security for reporting requirements of Medicare-only or non-covered employees.) Before Fred's death on June 15, 1999, he was employed by the county and received \$10,000 in wages on which federal income tax of \$1,500 was withheld. When Fred died, the county owed him \$2,000 in wages and \$1,000 in accrued vacation pay. The total of \$3,000 (less the social security and Medicare taxes withheld) was paid to Fred's estate on July 20, 1999. Because the county made the payment during the year of death, the county must withhold social security and Medicare taxes on the \$3,000 payment and must complete **Form W-2** as follows:

- **Box d** – Fred's SSN
- **Box e** – Fred's full name
- **Box f** – Fred's address
- **Box 1** – 10000.00 (does not include the \$3,000 accrued wages and vacation pay)
- **Box 2** – 1500.00
- **Box 3** – 13000.00 (includes the \$3,000 accrued wages and vacation pay)
- **Box 4** – 806.00 (6.2% of the amount in box 3)

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- **Box 5** – 13000.00 (includes the \$3,000 accrued wages and vacation pay)
- **Box 6** – 188.50 (1.45% of the amount in box 5)
- **Box 15** – Mark the “Deceased” box

The county also must complete **Form 1099-MISC** as follows:

- **Boxes for:** The recipient’s name, address and TIN — The estate’s or beneficiary’s name, address and TIN
- **Box 3** – 3000.00 (Even though amounts were withheld for social security and Medicare taxes, the gross amount is reported here.)

If the county made the payment after the year of death, the \$3,000 would **not** be subject to social security and Medicare taxes and would **not** be shown on Form W-2. The county would still file Form 1099-MISC, however.

Government employers

State and local agencies have two options for reporting their employees’ wages that are subject only to Medicare taxes for part of the year and full social security and Medicare taxes for part of the year.

Option one for paper Form W-2 instructions is to file a single Form W-2 with the Medicare-only wages **and** the social security and Medicare wages combined. The Form W-3 must have the “941” box marked in box b.

Option two is to file two Forms W-2 and two Forms W-3. File one Form W-2 for wages subject to Medicare tax only. Be sure to check the “Medicare govt. emp.” box in box b of Form W-3. File the second Form W-2 for wages subject to both social security and Medicare taxes with the “941” box checked in box b of Form W-3.

Note: See *magnetic media instructions on page 4 for split reporting requirements when Forms W-2 are reported on magnetic media.*

Lost Form W-2—reissued statement

If an employee loses a Form W-2, write “REISSUED STATEMENT” on the new copy, **but do not send Copy A of the reissued Form W-2 to the SSA.** You may give a reissued Form W-2 to an employee on the official IRS form or on an acceptable substitute form.

SS Statement Is Coming to All Your Employees

In October 1999, the Social Security Administration will begin mailing earnings and benefit estimate statements each year to all workers age 25 and older (about 125 million) who are not already receiving monthly Social Security benefits and for whom a current address is available.

Employees can expect to receive their statement each year about three months before their birth month. The statement provides a year-by-year display of an

individual’s wages based on information their employers have provided to the Social Security Administration each year on Forms W-2 or self-employment income. It also provides an estimate of retirement, survivors and disability benefits for which employees and their families may be eligible now and in the future.

The Division of Social Security suggests you distribute an explanation concerning the employee Social Security Statement to each and every employee of your agency so they may have a greater understanding of what it is about. A copy of a suggested explanation is available on the DOSS website at <http://www.state.ky.us/agencies/finance/depts/ss/statement.pdf>. You must use Adobe Acrobat Reader (which is available on the webpage) to access the explanation.

MORE HELP FROM THE IRS

Since late 1995, the Internal Revenue Service, with the aid of the Kentucky Division of Social Security, has been engaged in an educational outreach program to work with the Commonwealth’s public employers. The focus of this program was to educate employers regarding their responsibilities for filing and paying federal employment taxes.

This outreach program was a direct result of a report by the Inspector General’s office of the Social Security Administration. This report revealed possible noncompliance with federal employment tax laws by public employers. Rather than implement a plan of extensive examinations of these public employers, the program seeks to improve compliance by educating the taxpayers.

These seminars have been held throughout the Kentucky with representatives of the Internal Revenue Service, the Social Security Administration, and the state Division of Social Security participating. Presentations have been made on such topics as the Section 218 agreements, the employee or independent contractor test, the taxability of fringe benefits, and social security benefits and programs. Representatives from over 900 of Kentucky’s public employers have attended at least one of these seminars. More education is still needed, however.

If your office would like to have particular concerns addressed, more personalized guidance on tax issues, or individualized service, an IRS on-site visit maybe in order. Such visits will not initiate an audit, but will merely be for informational and educational purposes.

To schedule such a visit, please contact Daryl Dunagan of the State Division of Social Security at 502-564-3952. Arrangements will be made for a time and place, as well as the necessary personnel.

MAGNETIC MEDIA REMINDERS FOR TAX YEAR 1999

- o SSA does not accept 8" diskettes, DLX Cartridges or 4490 cartridges.
- o SSA does not accept compressed files on diskettes, magnetic tapes or cartridges.
- o Do Not create a file that contains any data recorded after the CODE F record.
- o Below are the correct mailing addresses for magnetic media:

Please use these addresses, instead of the addresses shown on the Form 6559.

Tape/Cartridge Via U.S. Post Office

Social Security Administration
AWR Magnetic Media Processing
5-F-17, Nb, Metro West
PO Box 33009
Baltimore Md 21290-3009

Diskette via U.S. Post Office

Social Security Administration
AWR Magnetic Media Processing
5-F-17, Nb, Metro West
PO Box 33014
Baltimore Md 21290-3014

Tape/Cartridge/Diskette Via Other Carrier

Social Security Administration
AWR Magnetic Media Processing
5-F-17, Nb, Metro West
300 N Greene Street
Baltimore Md 21290-0300

Future Planned Change

Starting with Tax Year 2000 reporting, SSA will no longer accept 5 1/4 " diskettes. Instead, the file should be sent on a 3 1/2" diskette, 1/2 inch magnetic tape, 3480/3480E cartridge, 3490/3490E cartridge or electronically through the OWRS. SSA will accept 5 1/4" diskettes for Tax Year 1999 reporting.

SSA has developed new Magnetic Media Reporting and Electronic Filing specifications (MMREF-1) for submitters who file wage reports to SSA using magnetic tape, cartridge, diskette or electronic filing. The MMREF-1 will replace existing Technical Information Bulletins (TIB) 4. The MMREF-1 consists of a single record format to be used to report either domestic or territorial reports using magnetic media or electronic filing.

Starting with TY 1999 and TY 2000 reporting, submitters will transition to the MMREF-1 format. For TY 2001 reporting, all magnetic media/electronic submitters will be required to use the MMREF-1 format.

Reporting of Medicare Qualified Government Employment (MQGE)

The term "MQGE" refers to a special type of employment for some government employees in which wages and tips are subject to withholding only for Medicare. Use the code "Q" in the Type of Employment (TOE) field of the CODE E record to identify MQGE. A CODE E record with a "Q" Type of Employment should only be followed by Code W records containing MQGE-related wage and tax data. DO NOT group MQGE CODE W records and non-MQGE CODE W records together after a single Code E record.

Report MQGE wages and tips in the Medicare Wages and Tips field and report MQGE tax withheld in the Medicare Tax Withheld field. All CODE W records containing data solely from MQGE, i.e., containing no wages or tips subject to the full Social Security tax, should be grouped to follow a CODE E record with a "Q" Type of Employment. All other CODE W records should be grouped to follow a CODE E record with a "R" Type of Employment.

Form 6559 and MQGE

Employers who report Medicare-only wages as well as full social security wages must complete two separate box 11(s) of the Form 6559 which is completed and filed with the magnetic media. Complete the MQGE checkbox for the box 11 with only the MQGE wage information. Contact the Division of Social Security for more information.

Special Reporting Instructions for State and Local Government Employers (Tax Year 1991 and later)

A state or local employer can choose one of two methods to report earnings for an employee who has both (1) wages from MQGE subject only to the Medicare tax and (2) wages subject to both the Social Security and Medicare taxes (full-FICA). These wages must be for the same taxable year while in continuous employment for the same employer. The two methods are "split" and "combined" reporting; a complete explanation of how to use these methods follows.

SPLIT REPORTING: Using this method, an employer must prepare two Code W records for the employee. One Code W record must contain the Medicare wage and tax data for the period of MQGE employment. The other Code W record must contain wage and tax data for the period of full-FICA employment. The MQGE Code W record should be reported following a Code E record with Type of Employment = Q. The full-FICA Code W record should be reported following a Code E record with Type of Employment = R.

COMBINED REPORTING: Using this method, an employer must prepare only one Code W record for the employee. That Code W record will combine both the Medicare only (MQGE) wages and the full-FICA wages. Any such Code W record should be reported following a Code E record with a Type of Employment = R.