



Social Security Coverage and Reporting

Winter 2014-15 Edition

...leading the way

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FILING FORMS W-2 ELECTRONICALLY

Electronic filing is now the preferred method for filing Copy A of Forms W-2 with the Social Security Administration (SSA). It saves time and money and it is a paperless process, so there is no need to file Form 6559. Plus, you get an extra month to file, which can help to reduce year-end stress. Once you've uploaded your wage report, you will receive an immediate on-screen acknowledgement of receipt that you can print and keep as proof of filing. For more information, log on to the SSA Employer website at <http://www.ssa.gov/employer/>.

Important Dates:

- Electronic filing on BSO can begin on December 8, 2014.
- The deadline to distribute employee's Forms W-2 is January 31, 2015.
- The deadline to file using paper Forms W-2 is ***February 28, 2015**.
(Note: If you have 250 or more Forms W-2 to file, you must file electronically or request a waiver from the SSA allowing you to file over 250 paper copies.)
- The deadline to file electronically using BSO is ***March 31, 2015**.

*** If this date falls on a Saturday, Sunday or legal holiday, the deadline will be the next business day.**



Related Links:

SSA's Specifications for Filing 2014 Forms W-2 Electronically:
<http://www.socialsecurity.gov/employer/efw/14efw2.pdf#zoom=100>

Reminders and Changes for Tax Year 2014 Reporting:
<http://www.ssa.gov/employer/remindersChangesTY14.pdf>

2015 SOCIAL SECURITY AND MEDICARE TAX RATES

The social security and Medicare tax rates for 2015 are unchanged from 2014. The social security rate is 6.2% for both the employee and employer shares. The social security maximum wage limit is \$118,500. The Medicare rate is 1.45% for both the employee and employer shares. There is not a maximum wage limit for Medicare.

Social Security Rates

Employee: 6.2%
Employer: 6.2%
Combined: 12.4%
Maximum Wage Limit: \$118,500

Medicare Rates

Employee: 1.45%
Employer: 1.45%
Combined: 2.9%
Maximum Wage Limit: No Limit

Social Security and Medicare Combined Rates

Employee: 7.65%
Employer: 7.65%
Combined: 15.3%

The above information was made available by the Internal Revenue Service (IRS) via Notice 1036. For the latest information about developments related to Notice 1036, such as the 2015 Percentage Method Tables for Income Tax Withholding and legislation enacted after it was published in December 2014, go to www.irs.gov/notice1036.

HOW TO REPORT A 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. The wages that were available to the employee while he or she was alive, regardless of whether they actually were in the possession of the employee, as well as any other regular wage payment must be reported as well, even if you may have to reissue the payment in the name of the estate or beneficiary.

If you made the payment after the employee's death, but 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. However, if the payment is a reissuance of wages that were constructively received by the deceased individual while he or she was still alive, do not report it on Form 1099-MISC.

Example:

Before Employee A's death on June 15, 2014, A was employed by Employer X and received \$10,000 in wages on which federal income tax of \$1,500 was withheld. When A died, X owed A \$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 A's estate on July 5, 2014. Because X made the payment during the year of death, X must withhold social security and Medicare taxes on the \$3,000 payment and must complete Form W-2 as follows.

- Box a – Employee A's SSN
- Box e – Employee A's name
- Box f – Employee A'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)
- 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)

Employer X also must complete Form 1099-MISC as follows.

- Boxes for recipient's name, address, and TIN—the estate'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 Employer X 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. However, the employer would still file Form 1099-MISC.

THIRD PARTY SICK PAY RECAP REPORTING

In 2015, for Tax Year 2014, employers and third party insurers should no longer send paper third party sick pay RECAP reports to SSA's Wilkes-Barre Data Operations Center.

The employer third party sick pay RECAP reports now go to the IRS on IRS Form 8922. The form is available on the IRS website, <http://www.irs.gov/pub/irs-pdf/f8922.pdf>, and contains information on where to submit the form.

More information on sick pay reporting, including third party sick pay RECAP reporting, can be obtained from IRS Publication 15-A, Employer's Supplemental Tax Guide (scheduled for release in December for tax year 2014).

NOTE: This change is for Third Party Sick Pay RECAP reporting only. Individual employee sick pay W-2 reporting remains unchanged.

SURVEY OF ORGANIZATIONS' INTERACTIONS WITH THE IRS FSLG GROUP

The Federal, State, and Local Governments (FSLG) Subcommittee of the IRS Advisory Committee on Tax Exempt and Government Entities (ACT) is a public forum for discussion of FSLG issues. The FSLG ACT Subcommittee provides FSLG regular input on administrative policy and procedures of Tax Exempt/Government Entities (TEGE). FSLG's ACT Subcommittee has three members, who are not employees of the IRS, which represent interested public observations about current or proposed FSLG policies, programs and procedures as well as suggest improvements through an annual report.

In preparation for this year's ACT report, members of the FSLG ACT Subcommittee have prepared a survey to help provide data for analysis of opinions on IRS/FSLG communication tools and practices. The project involves conducting an assessment of external stakeholders to determine how FSLG outreach efforts are used and how they can be improved, given limited resources. This survey information will be critical to the report.

The Subcommittee has requested the assistance of both State and Local Government Agencies in completing the survey to solicit anonymous feedback on the effectiveness of outreach efforts to state and local government entities by the IRS.

This survey is available at https://www.surveymonkey.com/r/ACT_FSLG_2014 until 5:00pm ET, February 27, 2015. We ask that you please complete this survey to help the FSLG ACT Subcommittee determine ways in which the IRS outreach to State and Local Governments Agencies can be improved.

PUBLICATION 963 UPDATE

Publication 963 provides government employers a comprehensive reference guide for social security and Medicare coverage and Federal Insurance Contributions Act (FICA) tax withholding issues. Pub 963 is a cooperative publication between the Internal Revenue Service (IRS), Social Security Administration (SSA) and the National Conference of State Social Security Administrators (NCSSSA).

The revised Pub 963 has been posted to the IRS website at <http://www.irs.gov/pub/irs-pdf/p963.pdf>.

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