

Payroll

W-2 Proofing Tips

Reconciling Forms W-2, W-3, and the 941

W-2 information of a single employee should be able to reconcile the difference between taxable (federal and state) wages and FICA/Medicare wages. These differences are commonly reported in box 12 and/or 14. Usually when reported the pension box will be checked off on the W-2. Reported FICA and Medicare taxes withheld should be accurate within a dollar of rounding.

W-3 is simply a total of all W-2's being reported. The same evaluation of the totals should be done as was for the individuals.

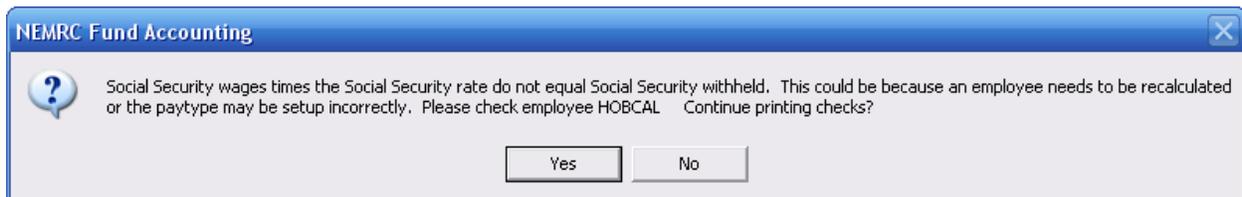
941 Quarterly Reports should also be added together for taxable and FICA/Medicare wages reported to total the same as the W-3. This can be accomplished by reporting in the 4th quarter the difference between the W-3 and the first three quarters reported. It is not uncommon for rounding differences to occur between the employer FICA and MEDI and the employee FICA and MEDI. These rounding differences are usually due to rounding from calculations. These differences do not need to be corrected. Rounding errors on the 941 however should never be ignored if the rounding sum is more than a dollar. Please contact the NEMRC support team if you see rounding errors more than a \$1.00 on your 941.

Note: If you are having a problem proving your 941:

Add the totals of your 941's for the first three quarters of the year. Then using your W-2 proof sheet, add together the totals for gross wages, FICA wages and federal withholding. Subtract the first three quarters' total from the totals of your proof sheet. The difference will be your fourth quarter 941 amount.

Problems Created while printing checks

During the Payroll check printing, the following message may appear:



This error occurred when a posting for employee "HOBICAL" was edited after calculation and another Paytype was added to the posting. The posting was saved but not recalculated. NEMRC has added this tool so that you are aware of a possible problem during check printing and can correct it before the check prints. Do not ignore this message if it comes up on the screen. This is a helpful tool that alerts you to the problem being created by printing a check where the FICA and MEDI do not match what is withheld versus what should be withheld.

Payroll

Deduction Plans

Deduction Plans-The plans that are described below are the only plans that should be reported in Box 12 on the W-2. These are the only plans recognized as qualified plans by the IRS. All other plans, which are reported to the employee, are for information only and can appear in Box 14.

The letters and designations for the IRS qualified plans are:

“D”-Section 401(k) Cash or Deferred arrangement

“E”-Section 403(B) Salary Reduction agreement

“F”-Section 408(k)(6) Salary Reduction SEP

“G”-Section 457(b) Deferred compensation plan for State or Local Government Employees

“H”-Section 501(c18d) Tax-Exempt Organization retirement plan

The Pension Box on the “W4” tab of “6. Employee Maintenance” should be checked off.

To verify that your Deduction plans are set up correctly, go to “6. Employee Maintenance” off the Main Menu. Go to the “Deductions” tab for the Employee you wish to verify. If this Employee has a qualified plan, there should be an entry in the “Plan” field on the same line as the Deduction to designate the type of deferred compensation that will print in Box 12 of the W-2s.

Vermont State Teacher’s Retirement Plan

This is a 401(a) plan and should be reported (if at all) in Box 14 on the W-2. This is **not** a Box 12 entry. The W-4 screen with this plan should have the Pension Box checked.

VMERS: Municipal Retirement

This is a 401(a) plan. On the “Deduction” tab the plan field should be blank. It is not required to report the VMERS Deduction on the W-2. On the “W4” tab the pension box should be checked. The VMERS Deduction may be reported in Box 14.

EIC

Earned Income Credit should have been added through “History” tab in “6. Employee Maintenance” off the Main Menu. You will need to fill in the amount paid to an Employee after closing the year and before running your W-2s.

Non Cash Benefits

Life Insurance over \$50,000. The cost of the premiums only for group term life insurance over \$50,000 should be reported in Box 12 on your W-2s.

To make sure these Employees are set up correctly, go to “6. Employee Maintenance,” off the Main Menu. Go to an appropriate Employee. On the “W4” tab, make sure that the “Life Insurance Coverage Provided by Employer” field reflects the full amount of the policy. Then go to the “History” tab.

Payroll

In the “Taxable Fringe” field, on the “History” tab, enter the cost of the premiums for group term life insurance over \$50,000. You should have already closed the year, so this amount will be entered into the “Last Year” column.

Proof Sheet

We strongly suggest that you print a proof sheet before printing the actual W-2s. This is done through “O. Process W2s” off the “R. Reports Menu.” The proof sheet option prints the same information as the W-2s, just in a different format. This will give you the opportunity to check your information and make all necessary corrections before printing on the actual forms. The Proof Sheet can be run in Detail or Summary and it will give you the grand totals of all categories and will also give you the total of W-2 Employees.