

# New year, new you? New year, W-2s!

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It's everyone's favorite time of year! If you are in payroll that is. W-2 season is here and we'll help you sort out what you need to know.

## **W-2 Basics**

Form W-2 Wage and Tax Statement is required to be issued to each employee for whom any of the following applies (even if the employee is related to you).

- You withheld any income, social security, or Medicare tax from wages regardless of the amount of wages; or
- You would have had to withhold income tax if the employee had claimed no more than one withholding allowance (for 2019 or earlier Forms W-4) or had not claimed exemption from withholding on Form W-4; or
- You paid \$600 or more in wages even if you did not withhold any income, social security, or Medicare tax.

Only in very limited situations will a Form W-2 not be required to be issued. This may occur if you were not required to withhold any income tax, social security tax, or Medicare tax and you paid the employee less than \$600.

## **What and When to File**

Employers are required to furnish Form W-2's to employees, as well as federal and state/city/local tax departments by January 31. There are many copies of Form W-2, with specific copies required to be furnished or filed with the appropriate recipient. Employers are also required to file Form W-3 with the Social Security Administration by January 31. What are all these forms and which form goes to which recipient?

The official Form W-2 packet is a multi-copy form packet containing 6 different copies of Form W-2 ([2023 Form W-2](#)). A breakdown of each copy of Form W-2 is listed in the table below.

Form Copy	No. of Copies	Furnished To	Filed With	Deadline to Issue/File
Copy A*	1	Employer	Social Security Administration	January 31
Copy 1	1	Employer	For state, city, or local tax department	January 31
Copy D	1	Employer	For employer records	January 31
Copy B	1	Employee	To file with employee's Federal return	January 31
Copy C	1	Employee	For employee's records	January 31
Copy 2	2	Employee	To file with employee's state, city, or local tax return	January 31

\*Employer Copy A forms accompany Form W-3 Transmittal of Wage and Tax Statements required to be filed with the Social Security Administration (SSA). Form W-3 is required to be filed with the SSA by January 31 ([2023 Form W-3](#)).

Beginning with tax year 2023 forms, employers filing 10 or more returns are required to electronically file employer Copy A forms and Form W-3 with the SSA. Additionally, you are now required to aggregate the number of both Form W-2's and Form 1099's to determine whether you meet the 10-return threshold requiring electronic filing. The previous threshold to require electronic filing was set at 250 returns, which was applied separately to each type of return. This may mean you are required to electronically file your employer forms when you may not have been required to do so in previous years. The IRS encourages employers to file electronically, even if not required to do so. Also note, that some payroll systems may only support electronically filing of employer Copy A and Copy 1 forms. In these cases, the payroll system will not support printing Copy A or Copy 1 forms but will create an electronic file to file with the SSA and your state/city/local tax department.

Employers are required to furnish 4 copies in total of Form W-2 to employees; Copy B, Copy C, and 2 Copy 2 forms. Many payroll systems support printing employee copies of Form W-2 on "4-up" (4 corner) forms that facilitate printing all 4 copies on one sheet, rather than printing 4 separate forms for each employee. You will need to purchase W-2 form stock with instructions on the back published for the 2023 tax year to use to print your employee forms.

Employers are allowed to furnish Form W-2 to employees electronically, provided the following criteria are met:

- The employee must agree to receive the Form W-2 in an electronic format and demonstrate to your employer that you'll be able to access your electronic Form W-2.
- Prior to, or at the time of the employee's consent, the employer must provide the employee a disclosure statement containing specific disclosures regarding the furnishing of the Form W-2 (see [Publication 15-A \(2023\), Employer's Supplemental Tax Guide | Internal Revenue Service \(irs.gov\)](#), topic **Furnishing Form W-2 to Employee Electronically** for more information).
- If the statement is furnished on a website, the employer must notify the employee via mail, electronic mail, or in person, that the statement is posted on a website and provide instructions on accessing and printing the statement.
- Additionally, the electronic version of the Form W-2 must contain all required information and comply with applicable revenue procedures relating to substitute statements to recipients.

If the above criteria have not been met to furnish employee Forms W-2 electronically, you will need to print a hard copy of Form W-2 to provide to the employee.

## **How to File Employer Forms**

### Social Security Administration

Form W-3 and Copy A of each Form W-2 are required to be filed with the Social Security Administration (SSA) by January 31. If paper filing, the Form W-3 and Copy A of each Form W-2 that you send to the SSA must be on official red-ink versions (or approved substitute versions) and can be ordered [online](#) or by calling 800-TAX-FORM ([800-829-3676](tel:800-829-3676)) - you cannot use the forms available for download from the IRS website. However, with the reduced electronic filing requirement threshold, most, if not all of us are now required to electronically file these forms.

Electronic Forms W-3 and W-2 are filed using the SSA's Business Services Online (BSO). Whether you are new to electronic filing or have been electronically filing already using BSO, you will need to create a separate Social Security Online account, login.gov, or ID.me credential in addition to your BSO account. Due to extra security requirements added to access BSO, users will need to verify their identity with a Social Security Online account, login.gov, or ID.me credential before gaining access to the BSO application. If you already have an existing Social Security Online account, login.gov, or ID.me credential you may use your existing credential. Employers can create accounts on the SSA's BSO page using this link [Business Services Online \(ssa.gov\)](#).

### Arizona Department of Revenue

Copy 1 of each Form W-2 is required to be filed with the Arizona Department of Revenue (ADOR) by January 31. Employers who file Form A1-QRT each quarter are also required to file A1-R Arizona Withholding Reconciliation Return by January 31, in conjunction with filing W-2's. Most payroll systems support the creation of an electronic .txt file that may be uploaded to the ADOR AZTaxes website at [aztaxes.gov/Home/Login](http://aztaxes.gov/Home/Login). This website also supports the electronic filing of Form A1-R. This is the same website used to remit state tax deposits withheld from employee wages each pay period.

## **Reconciling W-2's to Quarterly Form 941's**

The Social Security Administration (SSA) will reconcile certain totals reported from Form W-3 to the employer's Form 941's filed with the IRS for each quarter during the tax year. If discrepancies are found when SSA completes their reconciliation, you may have to issue corrected Form W-2's and/or amend one or more quarter's Form 941 filings by filing a Form 941-X. Before issuing Form W-2's to employees and filing employer copies with the appropriate departments, it is recommended you reconcile these figures on your own, to avoid having to deal with issuing corrected W-2's and unhappy employees!

The specific figures reconciled include:

- Federal Wages .....
- Federal Income Tax Withheld .....
- Social Security Wages .....
- Medicare Wages .....

Form W-3	Reconcile To	Form 941
Box 1		Line 2
Box 2		Line 3
Box 3		5a, Column 1
Box 5		5c, Column 1

Most payroll systems can run a W-2 Totals Report to assist with obtaining the Form W-3 figures. To obtain the Form 941 figures, add up the totals reported for each line referenced for each quarter. The W-2 totals and Form 941 totals should agree. If the amounts do not agree, you will need to investigate.

Possible reasons for discrepancies include:

- Payroll voids posted in the payroll system are not captured on the associated Form 941 filing – this may mean a Form 941-X needs to be filed to amend the quarter’s filing
- Manual adjustments posted in the payroll system that were not included in W-2’s
- Manual adjustments are captured in the quarterly Form 941 reporting, but not posted in the payroll system

Good luck with a busy payroll month and cheers to a Happy New Year!