

2023 General Instructions for Forms W-2 and W-3

(Including Forms W-2AS, W-2CM, W-2GU, W-2VI,
W-3SS, W-2c, and W-3c)

Volume 2 of 3



Department of the Treasury
Internal Revenue Service

Instruction for Forms W-2 and W-3 (Rev 2023) Catalog Number 47712B
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Income included under section 409A from an NQDC plan will be reported in box 1 and in box 12 using code Z. This income is also subject to an additional tax of 20% that is reported on Form 1040 or 1040-SR. For more information on amounts includible in gross income and reporting requirements, see Notice 2008-115, available at

[IRS.gov/irb/2008-52 IRB#NOT-2008-115](https://www.irs.gov/irb/2008-52_IRB#NOT-2008-115).

For information on correcting failures to comply with section 409A and related reporting, see Notice 2008-113, 2008-51 I.R.B. 1305, available at [IRS.gov/irb/2008-51 IRB#NOT-2008-113](https://www.irs.gov/irb/2008-51_IRB#NOT-2008-113);

Notice 2010-6, 2010-3 I.R.B. 275, available at

[IRS.gov/irb/2010-03 IRB#NOT-2010-6](https://www.irs.gov/irb/2010-03_IRB#NOT-2010-6); and

Notice 2010-80, 2010-51 I.R.B. 853, available at [IRS.gov/irb/2010-51 IRB#NOT-2010-80](https://www.irs.gov/irb/2010-51_IRB#NOT-2010-80).

See the Nonqualified Deferred Compensation Reporting Example Chart.

Qualified equity grants under section 83(i). Report

the amount includible in gross income from qualified equity grants under section 83(i)(1)(A) for the calendar year in box 12 using code GG. This amount is wages for box 1 and you must withhold income tax under section 3401(i) at the rate and manner prescribed in section 3401(t). You must withhold at the maximum rate of tax without regard to the employee's Form W-4. Social security and Medicare taxation of the deferral stock is not affected by these rules. See Notice 2018-97, 2018-52 I.R.B. 1062, available at [IRS.gov/irb/ 2018-52 IRB#NOT-2018-97](https://www.irs.gov/irb/2018-52_IRB#NOT-2018-97).

Qualified small employer health reimbursement arrangement. Use box 12, code FF, to report the total amount of permitted benefits under a qualified small employer health reimbursement arrangement (QSEHRA). QSEHRAs allow eligible employers

to pay or reimburse medical care expenses of eligible employees after the employees provide proof of coverage. The maximum reimbursement for an eligible employee under a QSEHRA for 2023 is \$5,850 (\$11,800 if it also provides reimbursements for family members). For more information about QSEHRAs, see Notice 2017-67, 2017-47 I.R.B. 517, available at [IRS.gov/irb/2017-47_IRB#NOT-2017-67](https://www.irs.gov/irb/2017-47_IRB#NOT-2017-67) and Pub. 15-B under *Accident and Health Benefits*. For information on employer reporting requirements, see *Code FF—Permitted benefits under a qualified small employer health reimbursement*, later.

Railroad employers (not applicable to Forms W-2AS, W-2CM, W-2GU, or W-2VI). Railroad employers must file Form W-2 to report their employees' wages and income tax withholding in boxes 1 and 2. You must file a separate Form W-3 to transmit the Forms W-2 if you have employees covered under the Federal Insurance Contributions Act

(FICA) (social security and Medicare) **and** the Railroad Retirement Tax Act (RRTA).

For employees covered by RRTA tax.

Check the "CT-1" checkbox on Form W-3, box b, "Kind of Payer," to transmit Forms W-2 for employees with box 1 wages and box 2 tax withholding. Use Form W-2, box 14, to report total RRTA compensation, Tier 1, Tier 2, Medicare (excluding Additional Medicare Tax), and any Additional Medicare Tax withheld for each employee covered by RRTA tax. Label them "RRTA compensation," "Tier 1 tax," "Tier 2 tax," "Medicare tax," and "Additional Medicare Tax." Include tips reported by the employee to the employer in "RRTA compensation."

Employers should withhold Tier 1 and Tier 2 RRTA taxes on all money remuneration that stems from the employer–employee relationship, including award payments to employees to compensate for working time lost due to an on-the-job injury and lump-

sum payments made to unionized employees upon ratification of collective bargaining agreements.

Employee stock options are not “money remuneration” subject to the RRTA. Railroad employers should not withhold Tier 1 and Tier 2 taxes when employees covered by the RRTA exercise stock options. Employers should still withhold federal income tax on taxable compensation from railroad employees exercising their stock options.

For employees covered by social security and Medicare. Check the “941” checkbox on Form W-3, box b, “Kind of Payer,” to transmit Forms W-2 with box 1 wages and box 2 tax withholding for employees covered by social security and Medicare. Use Form W-2, boxes 3, 4, 5, 6, and 7, to report each employee’s social security and Medicare wages and taxes, including Additional Medicare Tax. These boxes are **not** to be used to report railroad retirement compensation and taxes.



Railroad employers must withhold social security and Medicare taxes from taxable compensation of employees covered by social security and Medicare who are exercising their employee stock options.

Repayments. If an employee repays you for wages received in error, do not offset the repayments against current year wages unless the repayments are for amounts received in error in the current year. Repayments made in the current year, but related to a prior year or years, must be repaid in gross, not net, and require special tax treatment by employees in some cases. You may advise the employee of the total repayments made during the current year and the amount (if any) related to prior years. This information will help the employee account for such repayments on their federal income tax return.

If the repayment was for a prior year, you must file Form W-2c with the SSA to correct only social security and Medicare wages and taxes, and furnish a copy to the employee. Do not correct "Wages, tips, other compensation" in box 1, or "Federal income tax withheld" in box 2, on Form W-2c. Also do not correct any Additional Medicare Tax withheld on the repaid wages (reported with Medicare tax withheld in box 6) on Form W-2c. File the "X" return that is appropriate for the return on which the wages or compensation was originally reported (Forms 941-X, 943-X, 944-X, or CT-1X). Correct the social security and Medicare wages and taxes for the period during which the wages or compensation was originally paid. For information on reporting adjustments to Forms 941, 941-SS, 943, 944, or Form CT-1, see section 13 of Pub. 15 (Circular E), the Instructions for Form CT-1X, or section 9 of Pub. 51 (Circular A).



Tell your employee that the wages paid in error in a prior year remain taxable to them for that year. This is because the employee received and had use of those funds during that year. The employee is not entitled to file an amended return (Form 1040-X) to recover the income tax on these wages. For repayments greater than \$3,000, the employee may be entitled to a deduction or credit for the repaid wages on their Form 1040 or 1040-SR for the year of repayment. However, the employee is entitled to file an amended return (Form 1040-X) to recover Additional Medicare Tax on these wages, if any. Refer your employee to Repayments in Pub. 525, for additional information.

Scholarship and fellowship grants. Give a Form W-2 to each recipient of a scholarship or fellowship grant only if you are reporting amounts includible in income under section 117(c) (relating to payments for teaching,

research, or other services required as a condition for receiving the qualified scholarship). Also see Pub. 15-A and Pub. 970. These payments are subject to federal income tax withholding. However, their taxability for social security and Medicare taxes (or railroad retirement taxes, if applicable) depends on the nature of the employment and the status of the organization. See *Students, scholars, trainees, teachers, etc.*, in section 15 of Pub. 15 (Circular E).

Sick pay. If you had employees who received sick pay in 2023 from an insurance company or other third-party payer and the third party notified you of the amount of sick pay involved, you may be required to report the information on the employees' Forms W-2. If the insurance company or other third-party payer did not notify you in a timely manner about the sick pay payments, it must prepare Forms W-2 and W-3 for your employees

showing the sick pay. For specific reporting instructions, see section 6 of Pub. 15-A.

SIMPLE retirement account. An employee's salary reduction contributions to a SIMPLE (savings incentive match plan for employees) retirement account are not subject to federal income tax withholding but are subject to social security, Medicare, and railroad retirement taxes. Do not include an employee's contribution in box 1, but do include it in boxes 3 and 5. (Use box 14 if railroad retirement taxes apply.) An employee's total contribution must also be included in box 12 with code D or S.

An employer's matching or nonelective contribution to an employee's SIMPLE retirement account is not subject to federal income tax withholding or social security, Medicare, or railroad retirement taxes, and is not to be shown on Form W-2.

For more information on SIMPLE retirement accounts, see Notice 98-4, 1998-1 C.B. 269. You can find Notice 98-4 on page 25 of Internal Revenue Bulletin 1998-2 at [IRS.gov/pub/irs-irbs/irb98-02.pdf](https://www.irs.gov/pub/irs-irbs/irb98-02.pdf).

Successor/predecessor employers. If you buy or sell a business during the year, see Rev. Proc. 2004-53 for information on who must file Forms W-2 and employment tax returns. Rev. Proc. 2004-53, 2004-34 I.R.B. 320, is available at [IRS.gov/irb/2004-34_IRB#RP-2004-53](https://www.irs.gov/irb/2004-34_IRB#RP-2004-53).

Terminating a business. If you terminate your business, you must provide Forms W-2 to your employees for the calendar year of termination by the due date of your final Form 941, 944, or 941-SS. You must also file Forms W-2 with the SSA by the due date of your final Form 941, 944, or 941-SS. If filing on paper, make sure you obtain Forms W-2 and W-3 preprinted with the correct year. If

e-filing, make sure your software has been updated for the current tax year.

However, if any of your employees are immediately employed by a successor employer, see *Successor/ predecessor employers* above. Also, for information on automatic extensions for furnishing Forms W-2 to employees and filing Forms W-2, see Rev. Proc. 96-57, which is on page 14 of Internal Revenue Bulletin 1996-53 at [IRS.gov/pub/irs-irbs/irb96-53.pdf](https://www.irs.gov/pub/irs-irbs/irb96-53.pdf).



Get Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations, for information on reconciling wages and taxes reported on Forms W-2 with amounts reported on Forms 941, 941-SS, or 944.

Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) make-up amounts to a

pension plan. If an employee returned to your employment after military service and

certain make-up amounts were contributed to a pension plan for a prior year(s) under the USERRA, report the prior year contributions separately in box 12. See the TIP above Code D under *Box 12—Codes*. You may also report certain make-up amounts in box 14. See Box 14—Other in *Specific Instructions for Form W-2*.

Instead of reporting in box 12 (or box 14), you may choose to provide a separate statement to your employee showing USERRA make-up contributions. The statement must identify the type of plan, the year(s) to which the contributions relate, and the amount contributed for each year.

Virtual currency. For federal tax purposes, virtual currency is treated as property. Bitcoin is an example of virtual currency.

Transactions using virtual currency (such as Bitcoin) must be reported in U.S. dollars.

The fair market value (FMV) of virtual currency (such as Bitcoin) paid as wages is income and subject to federal income tax withholding, FICA tax, and FUTA tax and must be reported on Form W-2. For more information about how virtual currency is treated for federal income tax purposes, including W-2 requirements, see Notice 2014-21, 2014-16 I.R.B. 938, available at [IRS.gov/irb/ 2014-16 IRB#NOT-2014-21](https://www.irs.gov/irb/2014-16_IRB#NOT-2014-21) and Rev. Rul. 2019-24, available at [IRS.gov/irb/2019-44 IRB#REV-RUL-2019-24](https://www.irs.gov/irb/2019-44_IRB#REV-RUL-2019-24) and related FAQs, available at [IRS.gov/virtualcurrencyfaqs](https://www.irs.gov/virtualcurrencyfaqs).

Penalties

The following penalties apply to the person or employer required to file Form W-2. The penalties apply to both paper filers and e-filers.



Employers are responsible for ensuring that Forms W-2 are furnished to employees and that Forms W-2 and W-3 are filed with the SSA correctly and on time, even if the employer contracts with a third party to perform these acts. The IRS strongly suggests that the employer's address, not the third party's address, be the address on record with the IRS. This will ensure that you remain informed of tax matters involving your business because the IRS will correspond to the employer's address of record if there are any issues with an account. If you choose to outsource any of your payroll and related tax duties (that is, withholding, reporting, and paying over social security, Medicare, FUTA, and income taxes) to a third-party payer, go to [IRS.gov/OutsourcingPayrollDuties](https://www.irs.gov/OutsourcingPayrollDuties) for helpful information on this topic.

Failure to file correct information returns by the due date. If you fail to file a correct Form W-2 by the due date and cannot show reasonable cause, you may be subject to a penalty as provided under section 6721. The penalty applies if you:

- Fail to file timely,
- Fail to include all information required to be shown on Form W-2,
- Include incorrect information on Form W-2,
- File on paper forms when you are required to *e-file*,
- Report an incorrect TIN,
- Fail to report a TIN, or
- Fail to file paper Forms W-2 that are machine readable.

The amount of the penalty is based on when you file the correct Form W-2. Penalties are indexed for inflation. The penalty amounts shown below apply to filings due after December 31, 2023. The penalty is:

- \$60 per Form W-2 if you correctly file within 30 days of the due date; the maximum penalty is \$630,500 per year (\$220,500 for small businesses, defined in *Small businesses*).
- \$120 per Form W-2 if you correctly file more than 30 days after the due date but by August 1; the maximum penalty is \$1,891,500 per year (\$630,500 for small businesses).
- \$310 per Form W-2 if you file after August 1, do not file corrections, or do not file required Forms W-2; the maximum penalty is \$3,783,000 per year (\$1,261,000 for small businesses).



If you do not file corrections and you do not meet any of the exceptions to the penalty, the penalty is \$310 per information return. The maximum penalty is \$3,783,000 per year (\$1,261,000 for small businesses).

Exceptions to the penalty. The following are exceptions to the failure to file correct information returns penalty.

1. The penalty will not apply to any failure that you can show was due to reasonable cause and not to willful neglect. In general, you must be able to show that your failure was due to an event beyond your control or due to significant mitigating factors. You must also be able to show that you acted in a responsible manner and took steps to avoid the failure.
2. An inconsequential error or omission is not considered a failure to include correct information. An

inconsequential error or omission is an error that does not prevent or hinder the SSA/IRS from processing the Form W-2, from correlating the information required to be shown on the form with the information shown on the payee's tax return, or from otherwise putting the form to its intended use. Errors and omissions that are never inconsequential are those relating to:

- A TIN,
- A payee's surname, and
- Any money amounts.

3. De minimis rule for corrections. Even though you cannot show reasonable cause, the penalty for failure to file correct Forms W-2 will not apply to a certain number of returns if you:

- Filed those Forms W-2 on or before the required filing date,

- Either failed to include all of the information required on the form or included incorrect information, and
- Filed corrections of these forms by August 1.

If you meet all of the de minimis rule conditions, the penalty for filing incorrect information returns (including Form W-2) will not apply to the greater of 10 information returns (including Form W-2) or one-half of 1% of the total number of information returns (including Form W-2) that you are required to file for the calendar year.

4. Forms W-2 issued with incorrect dollar amounts may fall under a safe harbor for certain de minimis errors. The safe harbor generally applies if no single amount in error differs from the correct amount by more than \$100 and no single amount reported for tax

withheld differs from the correct amount by more than \$25.

If the safe harbor applies, you will not have to correct the Form W-2 to avoid penalties.

However, if the payee elects for the safe harbor not to apply, you may have to issue a corrected return to avoid penalties. For more information, see Notice 2017-9, 2017-4 I.R.B. 542, available at [IRS.gov/irb/2017-04_IRB#NOT-2017-09](https://www.irs.gov/irb/2017-04_IRB#NOT-2017-09).

Small businesses.

For purposes of the lower maximum penalties shown in *Failure to file correct information returns by the due date*, you are a small business if your average annual gross receipts for the 3 most recent tax years (or for the period that you were in existence, if shorter) ending before the calendar year in which the Forms W-2 were due are \$5 million or less.

Intentional disregard of filing

requirements. If any failure to timely file a correct Form W-2 is due to intentional disregard of the filing or correct information

requirements, the penalty is at least \$630 per Form W-2 with no maximum penalty.

Failure to furnish correct payee statements. If you fail to provide correct payee statements (Forms W-2) to your employees and cannot show reasonable cause, you may be subject to a penalty as provided under section 6722. The penalty applies if you fail to provide the statement by January 31, 2024, if you fail to include all information required to be shown on the statement, or if you include incorrect information on the statement.

The amount of the penalty is based on when you furnish the correct payee statement. This penalty is an additional penalty and is applied in the same manner, and with the same amounts, as in *Failure to file correct information returns by the due date.*

Exceptions to the penalty. An inconsequential error or omission is not considered a failure to include correct

information. An inconsequential error or omission is an error that cannot reasonably be expected to prevent or hinder the payee from timely receiving correct information and reporting it on their income tax return or from otherwise putting the statement to its intended use. Errors and omissions that are never inconsequential are those relating to:

- A dollar amount (except as provided above with respect to the safe harbor for de minimis dollar amount errors),
- A significant item in a payee's address, and
- The appropriate form for the information provided, such as whether the form is an acceptable substitute for the official IRS form.

See *Exceptions to the penalty* under *Failure to file correct information returns by the due date*, for additional exceptions to the penalty for failure to furnish correct payee statements.

Intentional disregard of payee statement requirements. If any failure to provide a correct payee statement (Form W-2) to an employee is due to intentional disregard of the requirements to furnish a correct payee statement, the penalty is \$630 per Form W-2 with no maximum penalty.

Civil damages for fraudulent filing of Forms W-2. If you willfully file a fraudulent Form W-2 for payments that you claim you made to another person, that person may be able to sue you for damages. If you are found liable, you may have to pay \$5,000 or more in damages. You may also be subject to criminal sanctions.

Specific Instructions for Form W-2

How to complete Form W-2. Form W-2 is a multi-part form. Ensure all copies are legible. Do not print Forms W-2 (Copy A) on double-sided paper.

Send Copy A to the SSA; Copy 1, if required, to your state, city, or local tax department; and Copies B, C, and 2 to your employee. Keep a copy of Copy A, and a copy of Form W-3, with your records for at least 4 years.

Enter the information on Form W-2 using black ink in 12-point Courier font. Copy A is read by machine and must be typed clearly with no corrections made to the entries and with no entries exceeding the size of the boxes. Entries completed by hand, in script or italic fonts are discouraged. Colors other than black cannot be read by the machines. Make all dollar entries on Copy A without the dollar sign and comma but with the decimal point (00000.00). Show the cents portion of the money amounts. If a box does not apply, leave it blank.

Send the whole Copy A page of Form W-2 with Form W-3 to the SSA even if one of the Forms W-2 on the page is blank or void. Do not staple Forms W-2 together or to Form W-

3. File Forms W-2 either alphabetically by employees' last names or numerically by employees' SSNs.

Also see the *Caution* under *How To Get Forms and Publications*.

Calendar year basis. The entries on Form W-2 must be based on wages paid during the calendar year. Use Form W-2 for the correct tax year. For example, if the employee worked from December 17, 2023, through December 30, 2023, and the wages for that period were paid on January 2, 2024, include those wages on the 2024 Form W-2.

Multiple forms. If necessary, you can issue more than one Form W-2 to an employee. For example, you may need to report more than four coded items in box 12 or you may want to report other compensation on a second form. If you issue a second Form W-2, complete boxes a, b, c, d, e, and f with the same information as on the first Form W-2.

Show any items that were not included on the first Form W-2 in the appropriate boxes.

Do not report the same federal, American Samoa, CNMI, Guam, or U.S. Virgin Islands tax data to the SSA on more than one Copy A.



For each Form W-2 showing an amount in box 3 or 7, make certain that box 5 equals or exceeds the sum of boxes 3 and 7.

VOID. Check this box when an error is made on Form W-2 and you are voiding it because you are going to complete a new Form W-2. Do not include any amounts shown on “VOID” forms in the totals you enter on Form W-3. See *Corrections*.

Box a—Employee's social security number. Enter the number shown on the employee's social security card.

If the employee does not have a card, they should apply for one by completing Form SS-5, Application for a Social Security Card. The SSA lets you verify employee names and SSNs online. For information about these free services, visit the Employer W-2 Filing Instructions & Information website at [SSA.gov/employer](https://www.ssa.gov/employer). If you have questions about using these services, call 800-772-6270 (toll free) to speak with an employer reporting technician at the SSA.

If the employee has applied for a card but the number is not received in time for filing, enter "Applied For" in box a on paper Forms W-2 filed with the SSA. If e-filing, enter zeros (000-00-0000 if creating forms online or 000000000 if uploading a file).

Ask the employee to inform you of the number and name as they are shown on the social security card when it is received. Then correct your previous report by filing Form W-2c showing the employee's SSN. If the

employee needs to change their name from that shown on the card, the employee should call the SSA at 800-772-1213.

If you do not provide the correct employee name and SSN on Form W-2, you may owe a penalty unless you have reasonable cause. For more information, see Pub. 1586, Reasonable Cause Regulations & Requirements for Missing and Incorrect Name/TINs.

ITINs for aliens. Do not accept an ITIN in place of an SSN for employee identification or for work. An ITIN is only available to resident and nonresident aliens who are not eligible for U.S. employment and need identification for other tax purposes. You can identify an ITIN because it is a 9-digit number formatted like an SSN beginning with the number "9" and with a number in one of the following ranges in the fourth and fifth digits: 50–65, 70–88, 90–92, and 94–99 (for example, 9NN-70-NNNN). An individual with an ITIN who later

becomes eligible to work in the United States must obtain an SSN.



Do not auto populate an ITIN into box a.

Box b—Employer identification number

(EIN). Show the EIN assigned to you by the IRS (00-0000000). This should be the same number that you used on your federal employment tax returns (Forms 941, 941-SS, 943, 944, CT-1, or Schedule H (Form 1040)). Do not truncate your EIN. See Regulations section 31.6051-1(a)(1)(i)(A) and 301.6109-4(b)(2)(iv). Do not use a prior owner's EIN. If you do not have an EIN when filing Forms W-2, enter “Applied For” in box b; do not use your SSN. You can get an EIN by applying online at [IRS.gov/EIN](https://www.irs.gov/ein) or by filing Form SS-4, Application for Employer Identification Number. Also see *Agent reporting*.

Box c—Employer's name, address, and ZIP code.

This entry should be the same as shown on your Forms 941, 941-SS, 943, 944, CT-1, or Schedule H (Form 1040). The U.S. Postal Service recommends that no commas or periods be used in return addresses. Also see *Agent reporting*.

Box d—Control number. You may use this box to identify individual Forms W-2. You do not have to use this box.

Boxes e and f—Employee's name and address. Enter the name as shown on your employee's social security card (first name, middle initial, last name). If the name does not fit in the space allowed on the form, you may show the first and middle name initials and the full last name. It is especially important to report the exact last name of the employee. If you are unable to determine the correct last name, use of the SSA's Social

Security Number Verification System may be helpful.

Separate parts of a compound name with either a hyphen or a blank space. Do not join them into a single word. Include all parts of a compound name in the appropriate name field. For example, for the name "Jessie R Smith-Jones," enter "Smith-Jones" or "Smith Jones" in the last name field.

If the name has changed, the employee must get a corrected social security card from any SSA office. Use the name on the original card until you see the corrected card.

Do not show titles or academic degrees, such as "Dr.," "RN," or "Esq.," at the beginning or end of the employee's name. Generally, do not enter "Jr.," "Sr.," or other suffix in the "Suff." box on Copy A unless the suffix appears on the card. However, the SSA still prefers that you do not enter the suffix on Copy A.

Include in the address the number, street, and apartment or suite number (or P.O. box number if mail is not delivered to a street address). The U.S. Postal Service recommends that no commas or periods be used in delivery addresses. For a foreign address, give the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

Box 1—Wages, tips, other compensation.

Show the total taxable wages, tips, and other compensation that you paid to your employee during the year. However, do not include elective deferrals (such as employee contributions to a section 401(k) or 403(b) plan) except section 501(c) (18) contributions. Include the following.

1. Total wages, bonuses (including signing bonuses), prizes, and awards

paid to employees during the year.
See Calendar year basis.

2. Total noncash payments, including certain fringe benefits. See Fringe benefits.
3. Total tips reported by the employee to the employer (not allocated tips).
4. Certain employee business expense reimbursements. See Employee business expense reimbursements.
5. The cost of accident and health insurance premiums for 2%-or-more shareholder-employees paid by an S corporation.
6. Taxable benefits from a section 125 (cafeteria) plan if the employee chooses cash.
7. Employee contributions to an Archer MSA.
8. Employer contributions to an Archer MSA if includible in the income of the employee. See Archer MSA.

9. Employer contributions for qualified long-term care services to the extent that such coverage is provided through a flexible spending or similar arrangement.
10. Taxable cost of group-term life insurance in excess of \$50,000. See Group-term life insurance.
11. Unless excludable under Educational assistance programs, payments for non-job-related education expenses or for payments under a nonaccountable plan. See Pub. 970.
12. The amount includible as wages because you paid your employee's share of social security and Medicare taxes (or railroad retirement taxes, if applicable). See Employee's social security and Medicare taxes (or railroad retirement taxes, if applicable) paid by employer. If you also paid your employee's income tax withholding, treat the grossed-up

amount of that withholding as supplemental wages and report those wages in boxes 1, 3, 5, and 7. (Use box 14 if railroad retirement taxes apply.) No exceptions to this treatment apply to household or agricultural wages.

13. Designated Roth contributions made under a section 401(k) plan, a section 403(b) salary reduction agreement, or a governmental section 457(b) plan. See *Designated Roth contributions*.
14. Distributions to an employee or former employee from an NQDC plan (including a rabbi trust) or a nongovernmental section 457(b) plan.
15. Amounts includible in income under section 457(f) because the amounts are no longer subject to a substantial risk of forfeiture.
16. Payments to statutory employees who are subject to social security and Medicare taxes but not subject to

federal income tax withholding must be shown in box 1 as other compensation. See Statutory employee.

17. Cost of current insurance protection under a compensatory split-dollar life insurance arrangement.
18. Employee contributions to a health savings account (HSA).
19. Employer contributions to an HSA if includible in the income of the employee. See Health savings account (HSA).
20. Amounts includible in income under section 409A from an NQDC because the amounts are no longer subject to a substantial risk of forfeiture and were not previously included in income. See Nonqualified deferred compensation plans under *Special Reporting Situations for Form W-2*.

21. Nonqualified moving expenses and expense reimbursements. See *Moving expenses.*
22. Payments made to former employees while they are on active duty in the U.S. Armed Forces or other uniformed services.
23. All other compensation, including certain scholarship and fellowship grants. See *Scholarship and fellowship grants.* Other compensation includes taxable amounts that you paid to your employee from which federal income tax was not withheld. You may show other compensation on a separate Form W-2. See *Multiple forms.*

Box 2—Federal income tax withheld.

Show the total federal income tax withheld from the employee's wages for the year. Include the 20% excise tax withheld on excess parachute payments. See *Golden parachute payments.*

For Forms W-2AS, W-2CM, W-2GU, or W-2VI, show the total American Samoa, CNMI, Guam, or U.S. Virgin Islands income tax withheld.

Box 3—Social security wages. Show the total wages paid (before payroll deductions) subject to employee social security tax but not including social security tips and allocated tips. If reporting these amounts in a subsequent year (due to lapse of risk of forfeiture), the amount must be adjusted by any gain or loss. See *Box 7—Social security tips* and *Box 8—Allocated tips*. Generally, noncash payments are considered to be wages. Include employee business expense reimbursements and moving expenses reported in box 1. If you paid the employee's share of social security and Medicare taxes rather than deducting them from wages, see *Employee's social security and Medicare taxes (or railroad retirement taxes, if applicable) paid by employer*. The total of boxes 3 and 7

cannot exceed \$160,200 (2023 maximum social security wage base).

Report in box 3 elective deferrals to certain qualified cash or deferred compensation arrangements and to retirement plans described in box 12 (codes D, E, F, G, and S) even though the deferrals are not includible in box 1. Also report in box 3 designated Roth contributions made under a section 401(k) plan, under a section 403(b) salary reduction agreement, or under a governmental section 457(b) plan described in box 12 (codes AA, BB, and EE).

Amounts deferred (plus earnings or less losses) under a section 457(f) or nonqualified plan or nongovernmental section 457(b) plan must be included in boxes 3 and/or 5 as social security and/or Medicare wages as of the later of when the services giving rise to the deferral are performed or when there is no substantial forfeiture risk of the rights to the deferred amount. Include both elective

and nonelective deferrals for purposes of nongovernmental section 457(b) plans.

Wages reported in box 3 also include:

- Signing bonuses an employer pays for signing or ratifying an employment contract. See Rev. Rul. 2004-109, 2004-50 I.R.B. 958, available at [IRS.gov/irb/ 2004-50 IRB#RR-2004-109](https://www.irs.gov/irb/2004-50_IRB#RR-2004-109).
- Taxable cost of group-term life insurance over \$50,000 included in box 1. See Group-term life insurance.
- Cost of accident and health insurance premiums for 2%-or-more shareholder-employees paid by an S corporation, but only if not excludable under section 3121(a)(2)(B).
- Employee and nonexcludable employer contributions to an MSA or HSA. However, do not include employee contributions to an HSA that were

made through a cafeteria plan. See Archer MSA and Health savings account (HSA).

- Employee contributions to a SIMPLE retirement account. See SIMPLE retirement account.
- Adoption benefits. See Adoption benefits.

Box 4—Social security tax withheld. Show the total employee social security tax (not your share) withheld, including social security tax on tips. For 2023, the amount should not exceed \$9,932.40 ($\$160,200 \times 6.2\%$). Include only taxes withheld (or paid by you for the employee) for 2023 wages and tips. If you paid your employee's share, see Employee's social security and Medicare taxes (or railroad retirement taxes, if applicable) paid by employer.

Box 5—Medicare wages and tips. The wages and tips subject to Medicare tax are the same as those subject to social security tax (boxes 3 and 7) except that there is no wage base limit for Medicare tax. Enter the total Medicare wages and tips in box 5. Be sure to enter tips that the employee reported even if you did not have enough employee funds to collect the Medicare tax for those tips. See *Box 3—Social security wages* for payments to report in this box. If you paid your employee's share of taxes, see *Employee's social security and Medicare taxes (or railroad retirement taxes, if applicable) paid by employer.*

If you are a federal, state, or local governmental agency with employees paying only Medicare tax, enter the Medicare wages in this box. See *Government employers.*

Example of how to report social security and Medicare wages. You paid your employee \$170,000 in wages. Enter in box 3 (social security wages) 160200.00, but enter in box 5 (Medicare wages and tips) 170000.00. There is no limit on the amount reported in box 5. If the amount of wages paid was \$160,200 or less, the amounts entered in boxes 3 and 5 will be the same.

Box 6—Medicare tax withheld. Enter the total employee Medicare tax (including any Additional Medicare Tax) withheld. Do not include your share. Include only tax withheld for 2023 wages and tips. If you paid your employee's share of the taxes, see *Employee's social security and Medicare taxes (or railroad retirement taxes, if applicable) paid by employer.*

For more information on Additional Medicare Tax, go to [IRS.gov/ADMTfaqs](https://www.irs.gov/ADMTfaqs).

Box 7—Social security tips. Show the tips that the employee reported to you even if you did not have enough employee funds to collect the social security tax for the tips. The total of boxes 3 and 7 should not be more than \$160,200 (the maximum social security wage base for 2023). Report all tips in box 1 along with wages and other compensation. Also include any tips reported in box 7 in box 5.

Box 8—Allocated tips (not applicable to Forms W-2AS, W-2CM, W-2GU, or W-2VI). If you operate a large food or beverage establishment, show the tips allocated to the employee. See the Instructions for Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips. Do not include this amount in box 1, 3, 5, or 7.

Box 10—Dependent care benefits (not applicable to Forms W-2AS, W-2CM, W-2GU, or W-2VI). Show the total dependent care benefits under a dependent care

assistance program (section 129) paid or incurred by you for your employee. Include the fair market value (FMV) of care in a daycare facility provided or sponsored by you for your employee and amounts paid or incurred for dependent care assistance in a section 125 (cafeteria) plan. Report all amounts paid or incurred (regardless of any employee forfeitures), including those in excess of the \$5,000 exclusion. This may include (a) the FMV of benefits provided in kind by the employer, (b) an amount paid directly to a daycare facility by the employer or reimbursed to the employee to subsidize the benefit, or (c) benefits from the pre-tax contributions made by the employee under a section 125 dependent care flexible spending account. Include any amounts over your plan's exclusion in boxes 1, 3, and 5. For more information, see Pub. 15-B.



An employer that amends its cafeteria plan to provide a grace period for dependent care assistance may continue to rely on Notice 89-111 by reporting in box 10 the salary reduction amount elected by the employee for the year for dependent care assistance (plus any employer matching contributions attributable to dependent care). Also see Notice 2005-42, 2005-23 I.R.B. 1204, available at [IRS.gov/irb/2005-23_IRB#NOT-2005-42](https://www.irs.gov/irb/2005-23_IRB#NOT-2005-42) and Notice 2005-61, 2005-39 I.R.B. 607, available at [IRS.gov/node/51071#NOT-2005-61](https://www.irs.gov/node/51071#NOT-2005-61).

Box 11—Nonqualified plans. The purpose of box 11 is for the SSA to determine if any part of the amount reported in box 1 or boxes 3 and/or 5 was earned in a prior year. The SSA uses this information to verify that they have properly applied the social security earnings test and paid the correct amount of benefits.

Report distributions to an employee from a nonqualified plan or nongovernmental section 457(b) plan in box 11.

Also report these distributions in box 1. Make only one entry in this box. Distributions from governmental section 457(b) plans must be reported on Form 1099-R, not in box 1 of Form W-2.

Under nonqualified plans or nongovernmental 457(b) plans, deferred amounts that are no longer subject to a substantial risk of forfeiture are taxable even if not distributed. Report these amounts in boxes 3 (up to the social security wage base) and 5. Do not report in box 11 deferrals included in boxes 3 and/or 5 and deferrals for current year services (such as those with no risk of forfeiture).



If you made distributions and are also reporting any deferrals in boxes 3 and/or 5, do not complete box 11. See Pub. 957, Reporting Back Pay and Special

*Wage Payments to the Social Security Administration, and Form SSA-131, Employer Report of Special Wage Payments, for instructions on reporting these and other kinds of compensation earned in prior years. However, **do not file Form SSA-131 if this situation applies and the employee was not 61 years old or more during the tax year for which you are filing Form W-2.***

Unlike qualified plans, NQDC plans do not meet the qualification requirements for tax-favored status for this purpose. NQDC plans include those arrangements traditionally viewed as deferring the receipt of current compensation. Accordingly, welfare benefit plans, stock option plans, and plans providing dismissal pay, termination pay, or early retirement pay are generally not NQDC plans.

Report distributions from NQDC or section 457 plans to beneficiaries of deceased employees on Form 1099-MISC, not on Form W-2.

Military employers must report military retirement payments on Form 1099-R.



Do not report special wage payments, such as accumulated sick pay or vacation pay, in box 11. For more information on reporting special wage payments, see Pub. 957.

Box 12—Codes. Complete and code this box for all items described below. Note that the codes do not relate to where they should be entered in boxes 12a through 12d on Form W-2. For example, if you are only required to report code D in box 12, you can enter code D and the amount in box 12a of Form W-2. Report in box 12 any items that are listed as codes A through HH. Do not report in box 12 section 414(h)(2) contributions (relating to certain state or local government plans). Instead, use box 14 for these items and any other information that you wish to give to your employee. For example, union dues and uniform payments may be reported in box 14.



On Copy A (Form W-2), do not enter more than four items in box 12. If more than four items need to be reported in box 12, use a separate Form W-2 to report the additional items (but enter no more than four items on each Copy A (Form W-2)). On all other copies of Form W-2 (Copies B, C, etc.), you may enter more than four items in box 12 when using an approved substitute Form W-2. See Multiple forms.

Use the IRS code designated below for the item you are entering, followed by the dollar amount for that item. Even if only one item is entered, you must use the IRS code designated for that item. Enter the code using a capital letter(s). Use decimal points but not dollar signs or commas. For example, if you are reporting \$5,300.00 in elective deferrals under a section 401(k) plan, the entry would be D 5300.00 (not A 5300.00 even though it is the first or only entry in this box). Report the IRS code to the left of the vertical line in

boxes 12a through 12d and the money amount to the right of the vertical line.

See the [Form W-2 Reference Guide for Box 12 Codes](#).

The detailed instructions for each code are next.

Code A—Uncollected social security or RRTA tax on tips. Show the employee social security or Railroad Retirement Tax Act (RRTA) tax on all of the employee's tips that you could not collect because the employee did not have enough funds from which to deduct it. Do not include this amount in box 4.

Code B—Uncollected Medicare tax on tips. Show the employee Medicare tax or RRTA Medicare tax on tips that you could not collect because the employee did not have enough funds from which to deduct it. Do not show any uncollected Additional Medicare Tax. Do not include this amount in box 6.

Code C—Taxable cost of group-term life insurance over \$50,000. Show the taxable cost of group-term life insurance coverage over \$50,000 provided to your employee (including a former employee). See *Group-term life insurance*. Also include this amount in boxes 1, 3 (up to the social security wage base), and 5. Include the amount in box 14 if you are a railroad employer.

Codes D through H, S, Y, AA, BB, and EE.

Use these codes to show elective deferrals and designated Roth contributions made to the plans listed. Do not report amounts for other types of plans. See the example for reporting elective deferrals under a section 401(k) plan, later.

The amount reported as elective deferrals and designated Roth contributions is only the part of the employee's salary (or other compensation) that they did not receive because of the deferrals or designated Roth contributions. Only elective deferrals and

designated Roth contributions should be reported in box 12 for all coded plans; except, when using code G for section 457(b) plans, include both elective and nonelective deferrals.

For employees who were 50 years of age or older at any time during the year and made elective deferral and/or designated Roth “catch-up” contributions, report the elective deferrals and the elective deferral “catch-up” contributions as a single sum in box 12 using the appropriate code and the designated Roth contributions and designated Roth “catch-up” contributions as a single sum in box 12 using the appropriate code.



If any elective deferrals, salary reduction amounts, or nonelective contributions under a section 457(b) plan during the year are make-up amounts under the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) for a prior year, you must enter the

prior year contributions separately. Beginning with the earliest year, enter the code, the year, and the amount. For example, elective deferrals of \$2,250 for 2021 and \$1,250 for 2022 under USERRA under a section 401(k) plan are reported in box 12 as follows.

D 21 2250.00, D 22 1250.00. A 2023 contribution of \$7,000 does not require a year designation; enter it as D 7000.00. Report the code (and year for prior year USERRA contributions) to the left of the vertical line in boxes 12a through 12d.

The following are not elective deferrals and may be reported in box 14, but not in box 12.

- Nonelective employer contributions made on behalf of an employee.
- After-tax contributions that are not designated Roth contributions, such as voluntary contributions to a pension plan that are deducted from an employee's pay. See the box 12

instructions for Code AA—Designated Roth contributions under a section 401(k) plan, Code BB—Designated Roth contributions under a section 403(b) plan, and Code EE—Designated Roth contributions under a governmental section 457(b) plan for reporting designated Roth contributions.

- Required employee contributions.
- Employer matching contributions.

Code D—Elective deferrals under a section 401(k) cash or deferred arrangement (plan). Also show deferrals under a SIMPLE retirement account that is part of a section 401(k) arrangement.

Example of reporting excess elective deferrals and designated Roth contributions under a section 401(k) plan. For 2023, Employee A (age 45) elected to defer \$23,500 under a section 401(k) plan.

The employee also made a designated Roth contribution to the plan of \$1,000, and made a voluntary (non-Roth) after-tax contribution of \$600. In addition, the employer, on A's behalf, made a qualified nonelective contribution of \$2,000 to the plan and a nonelective profit-sharing employer contribution of \$3,000.

Even though the 2023 limit for elective deferrals and designated Roth contributions is \$22,500, the employee's total elective deferral amount of \$23,500 is reported in box 12 with code D (D 23500.00). The designated Roth contribution is reported in box 12 with code AA (AA 1000.00). The employer must separately report the actual amounts of \$23,500 and \$1,000 in box 12 with the appropriate codes. The amount deferred in excess of the limit is not reported in box 1. The return of excess elective deferrals and excess designated Roth contributions,

including earnings on both, is reported on Form 1099-R.

The \$600 voluntary after-tax contribution may be reported in box 14 (this is optional) but not in box 12. The \$2,000 qualified nonelective contribution and the \$3,000 nonelective profit-sharing employer contribution are not required to be reported on Form W-2, but may be reported in box 14.

Check the "Retirement plan" box in box 13.

Code E—Elective deferrals under a section 403(b) salary reduction agreement.

Code F—Elective deferrals under a section 408(k)(6) salary reduction SEP.

Code G—Elective deferrals and employer contributions (including nonelective deferrals) to any governmental or nongovernmental section 457(b) deferred compensation plan. Do not report either section 457(b) or section 457(f)

amounts that are subject to a substantial risk of forfeiture.

Code H—Elective deferrals under section 501(c) (18)(D) tax-exempt organization plan. Be sure to include this amount in box 1 as wages. The employee will deduct the amount on their Form 1040 or 1040-SR.

Code J—Nontaxable sick pay. Show any sick pay that was paid by a third party and was not includible in income (and not shown in boxes 1, 3, and 5) because the employee contributed to the sick pay plan. Do not include nontaxable disability payments made directly by a state. ***Code K—20% excise tax on excess golden parachute payments (not applicable to Forms W-2AS, W-2CM, W-2GU, or W-2VI).*** If you made excess golden parachute payments to certain key corporate employees, report the 20% excise tax on these payments. If the excess payments are considered to be wages, report

the 20% excise tax withheld as income tax withheld in box 2.

Code L—Substantiated employee business expense reimbursements. Use this code only if you reimbursed your employee for employee business expenses using a per diem or mileage allowance and the amount that you reimbursed exceeds the amount treated as substantiated under IRS rules. See *Employee business expense reimbursements.*

Report in box 12 only the amount treated as substantiated (such as the nontaxable part). Include in boxes 1, 3 (up to the social security wage base), and 5 the part of the reimbursement that is more than the amount treated as substantiated. Report the unsubstantiated amounts in box 14 if you are a railroad employer.

Code M—Uncollected social security or RRTA tax on taxable cost of group-term life insurance over \$50,000 (for former employees). If you provided your former employees (including retirees) more than \$50,000 of group-term life insurance coverage for periods during which an employment relationship no longer exists, enter the amount of uncollected social security or RRTA tax on the coverage in box 12. Do not include this amount in box 4. Also see *Group-term life insurance.*

Code N—Uncollected Medicare tax on taxable cost of group-term life insurance over \$50,000 (for former employees). If you provided your former employees (including retirees) more than \$50,000 of group-term life insurance coverage for periods during which an employment relationship no longer exists, enter the amount of uncollected Medicare tax or RRTA Medicare tax on the coverage in box 12. Do

not show any uncollected Additional Medicare Tax. Do not include this amount in box 6. Also see Group-term life insurance.

Code P—Excludable moving expense reimbursements paid directly to a member of the U.S. Armed Forces. The exclusion for qualified moving expense reimbursements applies only to members of the U.S. Armed Forces on active duty who move pursuant to a military order and incident to a permanent change of station.

Show the total moving expense reimbursements that you paid directly to your employee for qualified (allowable) moving expenses. See Moving expenses.

Code Q—Nontaxable combat pay. If you are a military employer, report any nontaxable combat pay in box 12.

Code R—Employer contributions to an Archer MSA. Show any employer contributions to an Archer MSA. See Archer MSA.

Code S—Employee salary reduction contributions under a section 408(p) SIMPLE plan. Show deferrals under a section 408(p) salary reduction SIMPLE retirement account. However, if the SIMPLE plan is part of a section 401(k) arrangement, use code D. If you are reporting prior year contributions under USERRA, see the TIP above Code D under *Box 12—Codes*.

Code T—Adoption benefits. Show the total that you paid or reimbursed for qualified adoption expenses furnished to your employee under an adoption assistance program. Also include adoption benefits paid or reimbursed from the pre-tax contributions made by the employee under a section 125 (cafeteria) plan. However, do not include adoption benefits forfeited from a section 125

(cafeteria) plan. Report all amounts including those in excess of the \$15,950 exclusion. For more information, see Adoption benefits.

Code V—Income from the exercise of nonstatutory stock option(s). Show the spread (that is, the fair market value (FMV) of stock over the exercise price of option(s) granted to your employee with respect to that stock) from your employee's (or former employee's) exercise of nonstatutory stock option(s). Include this amount in boxes 1, 3 (up to the social security wage base), and 5. If you are a railroad employer, do not include this amount in box 14 for railroad employees covered by RRTA. For more information, see For employees covered by RRTA tax above.

This reporting requirement does not apply to the exercise of a statutory stock option, or the sale or disposition of stock acquired pursuant to the exercise of a statutory stock option. For more information about the taxability of employee stock options, see Pub.

15-B. Code W—Employer contributions to a health savings account (HSA). Show any employer contributions (including amounts the employee elected to contribute using a section 125 (cafeteria) plan) to an HSA.

See *Health savings account (HSA)*.

Code Y—Deferrals under a section 409A nonqualified deferred compensation plan. It is not necessary to show deferrals in box 12 with code Y. For more information, see Notice 2008-115, 2008-52 I.R.B. 1367, available at [IRS.gov/irb/2008-52_IRB#NOT-2008-115](https://www.irs.gov/irb/2008-52_IRB#NOT-2008-115). However, if you report these deferrals, show current year deferrals, including earnings during the year on current year and prior year deferrals. See *Nonqualified deferred compensation plans* under *Special Reporting Situations for Form W-2*.

Code Z—Income under a nonqualified deferred compensation plan that fails to satisfy section 409A. Enter all amounts deferred (including earnings on amounts deferred) that are includible in income under section 409A because the NQDC plan fails to satisfy the requirements of section 409A. Do not include amounts properly reported on a Form 1099-MISC, corrected Form 1099-MISC, Form W-2, or Form W-2c for a prior year. Also do not include amounts that are considered to be subject to a substantial risk of forfeiture for purposes of section 409A. For more information, see Regulations sections 1.409A-1, -2, -3, and -6; and Notice 2008-115.

The amount reported in box 12 using code Z is also reported in box 1 and is subject to an additional tax reported on the employee's Form 1040 or 1040-SR. See *Nonqualified deferred compensation plans* under *Special Reporting Situations for Form W-2*.

For information regarding correcting section 409A errors and related reporting, see Notice 2008-113, Notice 2010-6, and Notice 2010-80.

Code AA—Designated Roth contributions under a section 401(k) plan. Use this code to report designated Roth contributions under a section 401(k) plan. Do not use this code to report elective deferrals under code D. See *Designated Roth contributions.*

Code BB—Designated Roth contributions under a section 403(b) plan. Use this code to report designated Roth contributions under a section 403(b) plan. Do not use this code to report elective deferrals under code E. See *Designated Roth contributions.*

Code DD—Cost of employer-sponsored health coverage. Use this code to report the cost of employer-sponsored health coverage. **The amount reported with code DD is not taxable.** Additional reporting guidance, including information about the transitional

reporting rules that apply, is available on IRS.gov at [Affordable Care Act \(ACA\) Tax Provisions](#).

Code EE—Designated Roth contributions under a governmental section 457(b)

plan. Use this code to report designated Roth contributions under a governmental section 457(b) plan. Do not use this code to report elective deferrals under code G. See [Designated Roth contributions](#).

Code FF—Permitted benefits under a qualified small employer health reimbursement arrangement.

Use this code to report the total amount of permitted benefits under a QSEHRA. The maximum reimbursement for an eligible employee under a QSEHRA for 2023 is \$5,850 (\$11,800 if it also provides reimbursements for family members).

Report the amount of payments and reimbursements the employee is entitled to receive under the QSEHRA for the calendar

year, not the amount the employee actually receives. For example, a QSEHRA provides a permitted benefit of \$3,000. If the employee receives reimbursements of \$2,000, report a permitted benefit of \$3,000 in box 12 with code FF.

If your QSEHRA provides benefits that vary based on the number of family members covered under the arrangement or their ages and an eligible employee receives no payments or reimbursements and provides no proof of minimum essential coverage (MEC), report the highest value permitted benefits that the QSEHRA provides. If the employee later provides proof of MEC establishing eligibility for a lesser value permitted benefit, report this lesser value permitted benefit on Form W-2.

Do not include carryover amounts from prior years in the permitted benefit.

You may need to calculate a prorated permitted benefit under some circumstances.

- If your QSEHRA provides a permitted benefit prorated by month for employees not eligible for the full year, report the prorated permitted benefit. For example, a QSEHRA provides a permitted benefit of \$3,000 prorated by the number of months the employee is eligible. If an employee becomes eligible on May 1, the employee's permitted benefit is \$2,000 ($\$3,000 \times 8/12$) for the calendar year. The employer reports the permitted benefit of \$2,000 for that employee in box 12 using code FF.
- If your QSEHRA is not based on a calendar year, prorate the permitted benefit for each part of the QSEHRA's plan year that falls within the calendar year. Report the sum of the prorated permitted benefits for the two portions of the calendar year. For example, a non-calendar year QSEHRA has a plan

year that begins on April 1 and ends on March 31 of the following year. From April 1, 2022, through March 31, 2023, the QSEHRA provides a permitted benefit of \$2,000. From April 1, 2023, through March 31, 2024, the QSEHRA provides a permitted benefit of \$3,000. The employer reports a permitted benefit of \$2,750 $((\$2,000 \times 3/12) + (\$3,000 \times 9/12))$ for calendar year 2023.

You may also have to follow special reporting rules for certain taxable reimbursements.

- If an employee who failed to have MEC for one or more months during the year mistakenly received reimbursements for expenses incurred in one of those months, those reimbursements are taxable to the employee. Report the taxable reimbursement as other compensation in box 1, but not in boxes 3 or 5. The

taxable reimbursements are not wages for income, social security, or Medicare tax, so do not withhold these taxes.

Report the permitted benefit that you would have reported for the employee as though there was no failure to have MEC. If you discover the lapse in MEC after filing with the SSA, furnish the employee a correction on Form W-2c and file the Form W-2c with the SSA.

- If your QSEHRA provides for taxable reimbursements of either (a) over-the-counter drugs bought without a prescription, or (b) premiums paid on a pre-tax basis for coverage under a group health plan sponsored by the employer of the employee's spouse, include the amount of the taxable reimbursements in boxes 1, 3, and 5 and treat as wages for purposes of income, social security, and Medicare taxes. Report the permitted benefit the

employee is entitled to receive under the QSEHRA for the calendar year in box 12 using code FF. Although a part of the permitted benefit is a taxable reimbursement, that does not change the amount you report in box 12 with code FF.

For more details on reporting the total amount of

QSEHRA permitted benefits, see Notice 2017-67, Q and A 57 through 63, 2017-47 I.R.B. 517 at [IRS.gov/irb/ 2017-47 IRB#NOT-2017-67](https://www.irs.gov/irb/2017-47_IRB#NOT-2017-67).

Code GG—Income from qualified equity grants under section 83(i). Report the amount includible in gross income from qualified equity grants under section 83(i)(1)(A) for the calendar year. See *Qualified equity grants under section 83(i)* for more information.

Code HH—Aggregate deferrals under section 83(i) elections as of the close of the calendar year. Report the aggregate amount of income deferred under section 83(i) elections as of the close of the calendar year.

Box 13—Checkboxes. Check all boxes that apply.

Statutory employee. Check this box for statutory employees whose earnings are subject to social security and Medicare taxes but not subject to federal income tax withholding. Do not check this box for common-law employees. There are workers who are independent contractors under the common-law rules but are treated by statute as employees. They are called “statutory employees.”