

Explanation of Figures Found on Your W-2

Box 1: Wages, tips, and other compensation. Box 1 reports your total taxable wages for federal income tax purposes. This figure includes your wages, salary, bonuses, and other taxable compensation. Any taxable fringe benefits (such as group term life insurance, personal use of a College vehicle, rent-free housing, etc.) are also included in your Box 1 wages.

Gross wages subject to federal income taxes are reduced by pre-tax deductions (AD&D, dental, medical, vision, flex spending, etc.) and retirement contributions (TIAA-CREF, Fidelity) for Box 1 reporting purposes.

Box 2: Federal income tax withheld. Box 2 reports the total amount withheld from your paychecks for federal income taxes. This represents the amount of federal taxes you have paid-in throughout the year.

Box 3: Social Security wages. Box 3 reports the total amount of wages subject to the Social Security tax. For 2010, the Social Security tax is assessed on wages of \$106,800 or less. This limit is called the Social Security wage base. If your total wages are under \$106,800, then the amounts reported in Boxes 3 and 5 should be the same.

Box 4: Social Security tax withheld. Box 4 reports the total amount of Social Security taxes withheld from your paychecks. The Social Security tax is a flat tax rate of 6.2% on your wage income, up to a maximum wage base of \$106,800 (for 2010). Wages above \$106,800 are not subject to the Social Security tax. Accordingly, the maximum figure shown in Box 4 should be \$6,621.60 (\$106,800 maximum wage base times 6.2%).

If you have two or more jobs during the year, and your total wages exceed \$106,800, you may have paid-in too much Social Security tax. You will claim the excess Social Security tax withholding as a credit on your Form 1040 (if applicable).

Box 5: Medicare wages and tips. Box 5 reports the amount of wages subject to Medicare taxes. There is no maximum wage base for Medicare taxes. The amount shown in Box 5 may be larger than the amount shown in Box 1. Medicare wages include any deferred compensation, retirement contributions, or other fringe benefits that are normally excluded from the regular income tax. In other words, the amount in Box 5 typically represents your entire compensation from your job.

Box 6: Medicare tax withheld. Box 6 reports the amount of taxes withheld from your paycheck for the Medicare tax. The Medicare tax is a flat tax rate of 1.45% of your total Medicare wages.

Box 10: Dependent Care Benefits. Box 10 reports any amounts deducted for dependent care expenses under flex spending programs, in addition to employee discounts received from the Dickinson College Children's Center. Amounts under \$5,000 are non-taxable benefits. Any amount over \$5,000 is reported as taxable wages in Boxes 1, 3, and 5. Non-taxable benefits must be excluded from expenses claimed for the child and dependent care tax credit on IRS Form 2441.

Box 12: Deferred Compensation and Other Compensation. There are several types of compensation and benefits that can be reported in Box 12. Box 12 will report a single letter or double letter code followed by a dollar amount. The following codes are commonly used by the College:

- Code **C** – Taxable benefit of group term-life insurance over \$50,000. Already included as part of your taxable wages in Boxes 1, 3, and 5.
- Code **E** - Non-taxable elective salary deferrals to a 403(b) retirement plan.
- Code **G** – Non-taxable elective salary deferrals and non-elective employer contributions to a 457(b) retirement plan.
- Code **P** – Non-taxable reimbursements for employee moving expenses, if the amounts were paid directly to the employee.

Box 13: Check the Box. There are three check boxes in Box 13. Boxes will be checked off if any of these situations apply to you as an employee.

Statutory employee means that you must report the wages from this W-2 (and any other W2 forms marked "statutory employee") on Form 1040 Schedule C. Your wages are not subject to income tax withholding (there will be a zero or blank amount in Box 2), but are subject to Social Security and Medicare taxes (so Boxes 3 through 6 will be filled out).

Retirement plan means that you participated in your employer's retirement plan during the year. As a participant in a retirement plan, your ability to contribute to a tax-deductible traditional IRA may be limited.

Third-party sick pay means that you received sick pay under your employer's third-party insurance policy. (Instead of receiving sick pay directly from your employer as part of your regular paycheck.) Sick pay is not included in your taxable wages.

Box 14: Other Tax Information. Box 14 is used to report the amount of Local Services Tax (LST) withheld during the year.

Box 15: State and State Employer's Identification. Box 15 reports the College's state and state tax identification number.

Box 16: State wages. Box 16 reports the total amount of taxable wages earned in that state.

Box 17: State income tax withheld. Box 17 reports the total amount of state income taxes withheld from your paychecks for the wages reported in Box 16.

Box 18: Local wages. Box 18 reports the total amount of wages subject to local income taxes.

Box 19: Local income tax withheld. Box 19 reports the total amount of taxes withheld from your paychecks for local income taxes.

Box 20: Locality name. Box 20 contains the two-digit code associated with the tax collection agency serving our area.