

# W-2s due to employees soon — get ready!

The NCAA basketball tournament is called the Big Dance. Football has the Superbowl. Jan. 31 is Payroll's day. This is the date employees must receive their W-2 copies and the Social Security Administration must receive your W-2s.

Here are some issues to consider as you prepare for the big day.

## E-filing

The most important e-filing news is what didn't happen. The IRS was unable to finalize those new mandatory e-filing regulations for this year's filings. *The status quo prevails:* You're a mandatory e-filer if you file at least 250 information returns. In addition, you don't add together all your information returns to determine whether you are a mandatory e-filer.

*Not the status quo:* the SSA's new and improved file upload process, which it announced late last summer:

- Uploaded files must have a .txt or .zip.
- W-2 files will be processed in real-time.
- You'll receive a Wage File Identifier and get a Success message if the SSA accepts your files.
- Your entire submission will be rejected if the SSA detects errors in any of your files. You won't get a WFID; you will get a Reject message.
- Your errors will be listed on the screen in the same file upload session.

The SSA has a boatload of instructional materials about the new file upload process, including a 23-page [tutorial](#) and even a [video](#).

## Box 14 reporting

Your obligation to provide pandemic-related paid sick/family leave to employees expired at the end of 2020. But if you voluntarily provided paid leave to employees last year in accordance with those 2020 rules, you must report the leave in Box 14 of employees' W-2s.

### The IRS has specified the Box 14 entries:

- Sick leave wages subject to the \$511 per day limit paid for leave taken after Dec. 31, 2020, and before April 1, 2021, because of care you required.
- Sick leave wages subject to the \$200 per day limit paid for leave taken after Dec. 31, 2020, and before April 1, 2021, because of care you provided to another.
- Emergency family leave wages paid for leave taken after Dec. 31, 2020, and before April 1, 2021.
- Sick leave wages subject to the \$511 per day limit paid for leave taken after March 31, 2021, and before Oct. 1, 2021, because of care you required.
- Sick leave wages subject to the \$200 per day limit paid for leave taken after March 31, 2021, and before Oct. 1, 2021, because of care you provided to another.
- Emergency family leave wages paid for leave taken after March 31, 2021, and before Oct. 1, 2021.

The IRS has some [optional model language](#) you can use to explain this bewildering array of entries to employees. The model language begins on page 18.

*Reminder:* The value of paid leave is taxable to employees, so you must report it in Boxes 1 - 6 of their W-2s

## **Memo to employees**

Box 14 isn't your only employee communication problem. For many employees, the figures entered in Boxes 1, 3, and 5 won't match. It's not a mistake, but it sure looks like one. To avoid unnecessary inquiries from employees, prepare a fact sheet for them.

- Box 1 shows gross wages, tips, and other compensation, less employees' pretax deductions.
- Box 3 shows employees' Social Security wages. It may exceed Box 1 wages because pretax 401(k) contributions are included. On the other hand, the entry will be less than the Box 1 amount if employees' earnings exceeded the 2021 taxable wage base of \$142,800.
- Box 5 shows employees' Medicare wages. This figure will still be more than the Box 1 entry because pretax 401(k) contributions must be included. It may also exceed the Box 3 amount because there's no taxable wage base for Medicare taxes.
- Box 10 shows the total amount of dependent care assistance provided to employees, including amounts exceeding the tax-free ceiling; excess amounts are fully taxable and are reported in Boxes 1-6. If you amended your cafeteria plan, the maximum tax-free amount for 2021 increased to \$10,500, from \$5,000.

Who doesn't want their tax refund as quickly as possible? Silly question, right? Employees or, more likely, their accountants may start pestering you about providing early W-2s. Say no. You'll incur some temporary ill will, but it will pass.