



What are some helpful tips for preparing the township's annual W-2 Forms this year?

Here are some practical steps to make sure that the information reported to the IRS/Social Security Administration and your employees is accurate:

- The W-3 form is the total of all the W-2s issued to employees. This information should agree with the amounts reported quarterly to the IRS on Form 941. Prior to issuing the W-2/W-3, townships should verify that these totals match by adding the information reported on quarterly 941 tax return forms, and compare them to the W-2/W-3 totals.

For example, information on the following W-3 totals should agree to the totals reported on quarterly 941s as follows:

- 1) Box 1 of the W-3 (wages, tips and other compensation) should agree to the totals reported on line 2 of Form 941
 - 2) Box 2 (federal income taxes withheld) should agree to the totals reported on line 3 of Form 941.
 - 3) Box 3 (Social Security wages) should agree to the totals reported on line 5a of Form 941.
 - 4) Box 5 (Medicare wages) should agree to the totals reported on line 5c of the Form 941.
- Carefully review the instructions to box 12 ("other") to determine proper coding and amounts of items such as deferrals to 457 (deferred compensation plan) plans.
 - W-2/W-3 Forms should be filed electronically, if you are issuing 250 or more forms.

The IRS also has helpful resources—Publication 15, Circular E, known as the employer's tax guide, and the instructions for W-2 and W-3 forms. These guides can be obtained at your local IRS office or at www.irs.gov/formspubs/index.html.



Our township's only pension program is an elective 457 plan. Should we record the plan as a qualified pension plan on township employees' W-2 forms?

Mark only the deferred compensation, not the pension plan, box. A 457 plan does not meet the requirements of a qualified pension plan for purposes of determining whether an employee can have a deductible individual retirement account. However, a 457 plan is considered a "public retirement system" for purposes of determining whether the employee may be considered covered by a pension plan for Social Security purposes.




What is the maximum wage base for the Social Security taxes in 2016?

If an employee is subject to these taxes:

- The Medicare portion of Social Security taxes is not capped; all covered employees' wages are subject to this tax.
- The Social Security portion is limited to the first \$118,500 wages paid in calendar year 2016 (the same amount as in 2015). This limit is adjusted annually and published in IRS Circular E.

Information provided in *Financial Forum* should not be considered legal advice, and readers are encouraged to contact their township auditor and/or attorney for advice specific to their situation.



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Learn more from *Financial Forum* author David Williamson at MTA's 2016 Annual Conference in Detroit!

Williamson, a certified public accountant who has authored articles and taught seminars for MTA for nearly two decades, will be teaching several workshops on financial topics on Thursday, Jan. 21, including:

- *Refresh Your Knowledge of QuickBooks*, from 10:15 to 11:30 a.m.
- *Multi-year Forecasting and Your Budget*, from 1:30 to 2:45 p.m.
- *Refresh Your Payroll Knowledge*, from 3:15 to 4:30 p.m.

Take advantage of this opportunity to have your questions answered in person by a local government financial expert! Learn more about the Conference on pages 20-22 or visit www.michigantownships.org.