



SUPPLEMENTAL GUIDELINES FOR PREPARING 2017 FORM W-2

New Box 12 Code FF: A new Box 12 Code FF has been added, which employers should use, to report total amount of permitted benefits under a QSEHRA (Qualified Small Employer Health Reimbursement Arrangement). Eligible small employers may pay or reimburse medical care expenses of eligible employees up to a maximum of \$4,950 (\$10,000 if it also provides reimbursements for family members) for tax year 2017, after the employees provide proof of coverage.

Due date for filing of Forms W-2 & W-3: The due date for filing 2017 Forms W-2 and W-3 with the Social Security Administration and Form W-2 with the Oregon Department of Revenue is **January 31, 2018**, whether you file using paper forms or electronically.

Extensions of time to file Form W-2 with the SSA are no longer automatic. You may request one 30-day extension to file Form W-2 by submitting a complete application on Form 8809, Application for Extension of Time to File Information Returns, including a detailed explanation of why you need additional time and signed under penalties of perjury. The IRS will only grant the extension in extraordinary circumstances or catastrophe. Extension of time to file with the SSA does not automatically extend the time to furnish Forms W-2 to employees, the due date for which is January 31, 2018.

PART A: NON-CASH COMPENSATION INCLUDABLE IN WAGES (BOX 1)

AUTOMOBILE COMPENSATION

An employee's personal use of an employer provided vehicle is taxable compensation and is includable in wages. Personal use includes commuting to and from work and driving for other personal purposes. This compensation is subject to Social Security and Medicare tax withholding. Additionally, it is subject to income tax withholding unless appropriate notice was given to the employee.

There is a general rule and several safe harbor rules which an employer may use to determine the personal use value of an automobile. If one of the special safe harbor rules is not used, then the general valuation rule will apply.

GENERAL RULE:

The value of the employer-provided auto is equal to the amount an individual would have to pay to lease a similar automobile from an unrelated third party. This method places full burden of substantiating the fair value on the employer. The personal use value is the total value multiplied by the personal use percentage, based upon the ratio of personal miles to total miles driven.

SAFE HARBOR METHODS:

ANNUAL LEASE VALUE METHOD - All employers may use this method for all autos. The Internal Revenue Service issues tables to determine the annual value of having an automobile available. The personal use value is the prorated portion of the total value. Attached is a worksheet and table applicable to this method.

Report the annual lease value in box 14 of the W-2 to the extent included in wages. You may also issue a separate statement to the employee to report this amount.

SAFE HARBOR METHODS (Continued):

CENTS PER MILE METHOD - Under this method the total miles driven for personal purposes is multiplied by the standard mileage rate of 53.5¢. This rule must be adopted when the auto is first used for personal purposes and continued in all subsequent years. This method cannot be used for autos with a fair market value exceeding \$15,900 for a passenger auto (\$17,800 for a truck or van).

COMMUTING METHOD - For autos used by employees who are not owners or "control" employees, a special valuation is available if the only personal use allowed is commuting to and from work or for de minimis personal use. There are several special requirements which must be met to use this method. Please contact our office for further details.

OTHER - There is also a safe harbor valuation method for autos used as demonstrators by a salesperson. Please contact our office for further details.

LIFE INSURANCE

The cost of group term life insurance in excess of \$50,000 is included in the employee's gross income and generally must be reported by an employer under "Wages, tips and other compensation" on an employee's Form W-2, unless the employer is directly or indirectly the beneficiary of the policy. An S corporation shareholder is not treated as an employee for the exclusion. Accordingly, the cost of all group-term life insurance coverage provided to a 2% shareholder is included in wages. Withholding for the cost of group-term life insurance or amounts for Federal and Oregon income tax purposes is not required for either the employee or 2% shareholder. However, the entire cost of group-term life insurance or amounts in excess of \$50,000 coverage is subject to Social Security tax and Medicare tax.

Also, the amount of uncollected Social Security and Medicare tax on excess life insurance provided to former or retired employees must be reported in box 12 on Form W-2 using code "M" and "N". Please call our office for further details.

Use the table which follows to compute the cost of group-term life insurance. Enter the amount in Box 12 using code "C".

| COST PER \$1,000 OF PROTECTION FOR ONE MONTH PERIOD | |
|------------------------------------------------------------|------|
| Under age 25 | 0.05 |
| 25 through 29 | 0.06 |
| 30 through 34 | 0.08 |
| 35 through 39 | 0.09 |
| 40 through 44 | 0.10 |
| 45 through 49 | 0.15 |
| 50 through 54 | 0.23 |
| 55 through 59 | 0.43 |
| 60 through 64 | 0.66 |
| 65 through 69 | 1.27 |
| 70 and over | 2.06 |

Premiums paid by an employer on individual life insurance policies owned by employees are taxable to employees and must be reported on the Form W-2. Additionally, these payments are subject to Federal income tax and FICA withholding.

GROUP DISABILITY INSURANCE

If you maintain a non-discriminatory group disability plan, the employer may elect to treat the premiums paid as taxable or non-taxable compensation. If a non-taxable election is made, any future benefits received by employees under the disability contract are fully taxable. If a taxable election is made, the premiums must be reported on Form W-2, and all tax withholding applies as described above.

HEALTH INSURANCE PREMIUMS PAID FOR S CORPORATION SHAREHOLDERS

Health insurance premiums paid for the benefit of a more-than-2% shareholder of an S Corporation are includable in wages. They are not subject to FICA and Medicare or FUTA tax if the premiums are paid under a group medical plan for the corporate employees.

EMPLOYEE BUSINESS EXPENSES

Reimbursements for employee business expenses are reported as follows:

- ◆ Payments made under a nonaccountable plan (no substantiation) are to be reported as wages and included in Box 1 of Form W-2. These payments are subject to tax withholding, social security, Medicare and unemployment tax.
- ◆ Payments made under an accountable plan (substantiation provided to the employer) are generally excluded from wages and are not reported on Form W-2.
- ◆ Payments for per diem and mileage allowance are deemed substantiated up to the IRS guideline amounts. Excess reimbursements are reported the same as nonaccountable plan expenses. If you made reimbursements in excess of IRS guidelines, the nontaxable portions are reported in Box 12 using Code "L". Do not include reimbursements in Box 12 if they are less than or equal to the IRS guidelines.

OTHER

Other forms of compensation to be included on the Form W-2 include:

- ◆ Discriminatory excess deferral under a 401(k) plan.
- ◆ Taxable benefits made under a Cafeteria Plan.
- ◆ Cost of health benefits provided under an employer-sponsored group health plan – see Other Reporting Items in Part B.
- ◆ Certain employee relocation expenses - see Other Reporting Items in Part B.
- ◆ Certain amounts deferred under a nonqualified deferred compensation (NQDC) plan – see Other Reporting Items in Part B.

PART B: INFORMATIONAL REPORTING ON FORM W-2

EMPLOYER-SPONSORED HEALTH COVERAGE:

For years after 2011, The Affordable Care Act generally requires employers to report the cost of health benefits provided under an employer-sponsored group health plan on Form W-2. Reporting the cost of health care coverage on the Form W-2 does not mean that the coverage is taxable and is for informational reporting purposes only.

- The value of the health care coverage will be reported in Box 12 with code DD.
- In general, the amount reported should include both the portion paid by the employer and the portion paid by the employee.
- For certain employers, types of coverage and situations, there is transition relief from the requirement to report the value of coverage beginning with 2013 Forms W-2 and will continue to apply to future calendar years until the IRS publishes additional guidance. See the IRS chart below:

| Form W-2 Reporting of Employer-Sponsored Health Coverage | | | |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------|------------------------------------------------------|
| Coverage Type | Form W-2, Box 12, Code DD | | |
| | Report | Do Not Report | Optional |
| Major medical | X | | |
| Dental or vision plan not integrated into another medical or health plan | | | X |
| Dental or vision plan which gives the choice of declining or electing and paying an additional premium | | | X |
| Health Flexible Spending Arrangement (FSA) funded solely by salary-reduction amounts | | X | |
| Health FSA value for the plan year in excess of employee's cafeteria plan salary reductions for all qualified benefits | X | | |
| Health Reimbursement Arrangement (HRA) contributions | | | X |
| Health Savings Arrangement (HSA) contributions (employer or employee) | | X | |
| Archer Medical Savings Account (Archer MSA) contributions (employer or employee) | | X | |
| Hospital indemnity or specified illness (insured or self-funded), paid on after-tax basis | | X | |
| Hospital indemnity or specified illness (insured or self-funded), paid through salary reduction (pre-tax) or by employer | X | | |
| Employee Assistance Plan (EAP) providing applicable employer-sponsored healthcare coverage | Required if employer charges a COBRA premium | | Optional if employer does not charge a COBRA premium |
| On-site medical clinics providing applicable employer-sponsored healthcare coverage | Required if employer charges a COBRA premium | | Optional if employer does not charge a COBRA premium |

| Form W-2 Reporting of Employer-Sponsored Health Coverage | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------|------------------------------------------------------|
| Coverage Type | Form W-2, Box 12, Code DD | | |
| | Report | Do Not Report | Optional |
| Wellness programs providing applicable employer-sponsored healthcare coverage | Required if employer charges a COBRA premium | | Optional if employer does not charge a COBRA premium |
| Multi-employer plans | | | X |
| Domestic partner coverage included in gross income | X | | |
| Governmental plans providing coverage primarily for members of the military and their families | | X | |
| Federally recognized Indian tribal government plans and plans of tribally chartered corporations wholly owned by a federally recognized Indian tribal government | | X | |
| Self-funded plans not subject to Federal COBRA | | | X |
| Accident or disability income | | X | |
| Long-term care | | X | |
| Liability insurance | | X | |
| Supplemental liability insurance | | X | |
| Workers' compensation | | X | |
| Automobile medical payment insurance | | X | |
| Credit-only insurance | | X | |
| Excess reimbursement to highly compensated individual, included in gross income | | X | |
| Payment/reimbursement of health insurance premiums for 2% shareholder-employee, included in gross income | | X | |
| Other Situations | Report | Do Not Report | Optional |
| Employers required to file fewer than 250 Forms W-2 for the preceding calendar year (determined without application of any entity aggregation rules for related employers) | | | X |
| Forms W-2 furnished to employees who terminate before the end of a calendar year and request, in writing, a Form W-2 before the end of that year | | | X |
| Forms W-2 provided by third-party sick-pay provider to employees of other employers | | | X |

RELOCATION EXPENSES

Moving expenses are to be reported as follows:

- ◆ Qualified moving expenses an employer pays to a third party on behalf of the employee (e.g., to a moving company) and services that an employer furnishes in kind to an employee are not reported on Form W-2.
- ◆ Qualified moving expense reimbursements paid directly to an employee by an employer are reported in Box 12 with code P.
- ◆ Continue to report nonqualified moving expense reimbursements in Boxes 1, 3, and 5. These amounts are subject to income tax withholding and social security and Medicare taxes.

NONQUALIFIED DEFERRED COMPENSATION PLANS

Amounts deferred under a Section 409A nonqualified deferred compensation (NQDC) plan may be includable in gross income. Please contact our office for details.

OTHER REPORTING ITEMS

Other items to be reported on Form W-2:

- ◆ Dependent care benefits are to be reported in Box 10. This includes benefits provided through a Sec. 125 (Cafeteria) plan as well as an employer reimbursement plan. Only amounts in excess of \$5,000 are includable in Boxes 1, 3 and 5.
- ◆ Deferred 401(k) wages are includable in Social Security and Medicare wages only. Also report the deferred compensation in Box 12 and identify the amount with a code "D".
- ◆ For military employers, nontaxable combat pay is reported in Box 12 and identified with code "Q".
- ◆ Health savings account contributions by employers are reported in Box 12 identified with code "W". Employer contributions to an HSA that are not excludable from the employee's income must also be reported in Box 1.

- ◆ A reference chart for all box 12 entries is shown below for your use in reporting other types of information on W-2's.

Form W-2 Reference Guide for Box 12 Codes (See the box 12 instructions.)

| | | | | | |
|---|-----------------------------------------------------------------------------------------------------------------------------------|---|-----------------------------------------------------------------------------------------------------------------|----|---------------------------------------------------------------------------------------------------------------------------------------|
| A | Uncollected social security or RRTA tax on tips | H | Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan | R | Employer contributions to an Archer MSA |
| B | Uncollected Medicare tax on tips | J | Nontaxable sick pay | S | Employee salary reduction contributions under a section 408(p) SIMPLE |
| C | Taxable cost of group-term life insurance over \$50,000 | K | 20% excise tax on excess golden parachute payments | T | Adoption benefits |
| D | Elective deferrals under a section 401(k) cash or deferred arrangement (including a SIMPLE 401(k) arrangement) | L | Substantiated employee business expense reimbursements | V | Income from exercise of nonstatutory stock option(s) |
| E | Elective deferrals under a section 403(b) salary reduction agreement | M | Uncollected social security or RRTA tax on taxable cost of group-term life over \$50,000 (for former employees) | W | Employer contributions* to an employee's Health Savings Account (HSA) *(including employee contributions through a cafeteria plan) |
| F | Elective deferrals under a section 408(k)(6) salary reduction SEP | N | Uncollected Medicare tax on taxable cost of group-term life insurance over \$50,000 (for former employees) | Y | Deferrals under a section 409A nonqualified deferred compensation plan |
| G | Elective deferrals and employer contributions (including nonelective deferrals) under a section 457(b) deferred compensation plan | P | Excludable moving expense reimbursements paid directly to employee | Z | Income under a nonqualified deferred compensation plan that fails to satisfy section 409A |
| | | Q | Nontaxable combat pay | AA | Designated Roth contributions under a section 401(k) plan |
| | | | | BB | Designated Roth contributions under a section 403(b) plan |
| | | | | DD | Cost of employer-sponsored health coverage |
| | | | | EE | Designated Roth contributions under a governmental section 457(b) plan |
| | | | | FF | Permitted benefits under a qualified small employer health reimbursement arrangement |

Copy D of your W-2's and a copy of Form W3 should be kept on file for four years.

EMPLOYEE REPRESENTATION REGARDING USE OF COMPANY VEHICLE

The IRS requires employers to provide certain information on their tax return with respect to the vehicles provided to employees. This information is also used to calculate the amount of fringe benefit to be included in the employee's W-2 income.

The IRS generally requires that written records be maintained to document the business use of vehicles. Since the company policy requires employees to maintain the detailed records, please provide answers to the following questions. If you were provided more than one vehicle that was used during the year, you need to prepare a separate statement for each vehicle.

The completed form must be returned no later than _____ (date) or 100% of the value of the vehicle will be included in your W-2 income.

EMPLOYEE NAME: _____

DESCRIPTION OF VEHICLE: _____

REPORTING PERIOD FROM: _____ to _____

ODOMETER READING: Beginning _____ Ending _____

EMPLOYEE REPRESENTATION:

- (1) Was the vehicle available for your personal use during off-duty hours? YES NO
- (2) Did you have another vehicle available for your personal use (this includes a car you own personally)? YES NO
- (3) Are you an officer or 1% owner of the business? YES NO
- (4) How many commuting round trips did you make in this vehicle? _____
- (5) For the reporting period specified above, please provide the number of miles for each of the following categories:
 - Total commuting miles _____
 - Total other personal (non-commuting) miles _____
 - Total personal miles _____
 - Total business miles _____
- (6) Did the employer pay the cost of fuel consumed by this vehicle? YES NO

(EMPLOYEE SIGNATURE)

(DATE)

**EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S TAXABLE
INCOME RESULTING FROM EMPLOYER PROVIDED VEHICLE FOR
CALENDAR YEAR 2017**

EMPLOYEE: _____

DESCRIPTION OF VEHICLE: _____

DATE VEHICLE FIRST MADE AVAILABLE TO ANY EMPLOYEE: _____

DATE VEHICLE FIRST MADE AVAILABLE TO THIS EMPLOYEE: _____

Select one method (note limitations on methods II and III)

METHOD I – ANNUAL LEASE VALUE METHOD (For Autos Available 30 Days or More)

| | |
|-----------------------------------------------------------------------------------------------------------------------|-------------------------|
| Fair market value of vehicle (to be redetermined at the beginning of the fifth year and every four years thereafter). | \$ _____ |
| Annual lease value, per attached chart | \$ _____ ⁽¹⁾ |
| Enter number of days during the year that the vehicle was available | x _____ |
| Divide by number of days in tax year | ÷ _____ |
| Prorated annual lease value | _____ |
| Personal use % (personal/total miles, per statement from employee) | x _____% |
| Personal annual lease value | \$ _____ |
| If fuel is provided by employer, enter personal miles _____ x _____ ⁽²⁾ | + _____ |
| Personal use taxable income | \$ _____ |

⁽¹⁾ For autos available for 7 days or less, multiply the annual lease value by 4. If the availability is more than 7 days, but less than 30, the taxpayer may elect to use the annual lease value without the 4 multiplier.

⁽²⁾ If fuel is provided "in kind," the fair market value may be determined based on all facts and circumstances or, alternatively, at 5-1/2 cents per mile if auto usage is within the U.S., Canada, and Mexico. Generally, where fuel is purchased and charged to the employer, the actual cost or reimbursement should be used. If employers with a fleet of 20 or more vehicles, reimburse or allow employees to charge fuel cost, the fleet-average cents per mile may be used. If the fleet employer determines that actual cost of fleet average methods are unreasonable administrative burdens, the 5-1/2 cents per mile may be used.

**EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S TAXABLE
INCOME RESULTING FROM EMPLOYER PROVIDED VEHICLE FOR
CALENDAR YEAR 2017 - CONTINUED**

METHOD II – STANDARD MILEAGE METHOD

Generally, in order to qualify to use the cents-per-mile method, the vehicle must (1) be expected to be regularly used in the employer's business throughout the calendar year, (2) be driven at least 10,000 miles per year, and (3) have a fair market value of \$15,900 or less for a passenger automobile and \$17,800 for a truck or van. Once this method is adopted for a particular vehicle, it must be continued until the vehicle no longer qualifies.

Enter personal miles:

From January 1, 2017 to December 31, 2017 _____ x .535 = _____

If fuel is NOT provided by the employer,
enter total personal miles _____ x .055 = (_____)

Personal use taxable income \$ _____

METHOD III – SPECIAL COMMUTING METHOD

This method may only be used for vehicles covered by a written policy that allows commuting but no other (except de minimis) personal use. DO NOT USE for a control employee, i.e. if employee is a 1% or more owner, an officer with compensation of \$105,000 or more, or an individual with compensation equaling or exceeding \$215,000 or a director. Alternatively, you may elect to define a control employee as any highly compensated employee who for 2017 meets either of the following tests: (a) is/was a 5% owner at any time during 2017 or 2016, (b) received more than \$120,000 in pay for 2016. (Can be ignored if employee not in top 20% of employees by pay in 2016.)

Number of commuting round trips made _____

Value per round trip x \$ _____ 3.00

Personal use taxable income \$ _____

AUTOMOBILE LEASE VALUE TABLE

| <u>Automobile Fair Market Value</u> | <u>Annual Lease Value</u> |
|-------------------------------------|---------------------------|
| \$0 to \$999 | \$600 |
| 1,000 to 1,999 | 850 |
| 2,000 to 2,999 | 1,100 |
| 3,000 to 3,999 | 1,350 |
| 4,000 to 4,999 | 1,600 |
| 5,000 to 5,999 | 1,850 |
| 6,000 to 6,999 | 2,100 |
| 7,000 to 7,999 | 2,350 |
| 8,000 to 8,999 | 2,600 |
| 9,000 to 9,999 | 2,850 |
| 10,000 to 10,999 | 3,100 |
| 11,000 to 11,999 | 3,350 |
| 12,000 to 12,999 | 3,600 |
| 13,000 to 13,999 | 3,850 |
| 14,000 to 14,999 | 4,100 |
| 15,000 to 15,999 | 4,350 |
| 16,000 to 16,999 | 4,600 |
| 17,000 to 17,999 | 4,850 |
| 18,000 to 18,999 | 5,100 |
| 19,000 to 19,999 | 5,350 |
| 20,000 to 20,999 | 5,600 |
| 21,000 to 21,999 | 5,850 |
| 22,000 to 22,999 | 6,100 |
| 23,000 to 23,999 | 6,350 |
| 24,000 to 24,999 | 6,600 |
| 25,000 to 25,999 | 6,850 |
| 26,000 to 27,999 | 7,250 |
| 28,000 to 29,999 | 7,750 |
| 30,000 to 31,999 | 8,250 |
| 32,000 to 33,999 | 8,750 |
| 34,000 to 35,999 | 9,250 |
| 36,000 to 37,999 | 9,750 |
| 38,000 to 39,999 | 10,250 |
| 40,000 to 41,999 | 10,750 |
| 42,000 to 43,999 | 11,250 |
| 44,000 to 45,999 | 11,750 |
| 46,000 to 47,999 | 12,250 |
| 48,000 to 49,999 | 12,750 |
| 50,000 to 51,999 | 13,250 |
| 52,000 to 53,999 | 13,750 |
| 54,000 to 55,999 | 14,250 |
| 56,000 to 57,999 | 14,750 |
| 58,000 to 59,999 | 15,250 |

For vehicles having a fair market value in excess of \$59,999, the Annual Lease Value is equal to: $(.25 \times \text{the fair market value of the automobile}) + \500 .