APPENDIX VOLUME 1

Department of the Treasury
Internal Revenue Service

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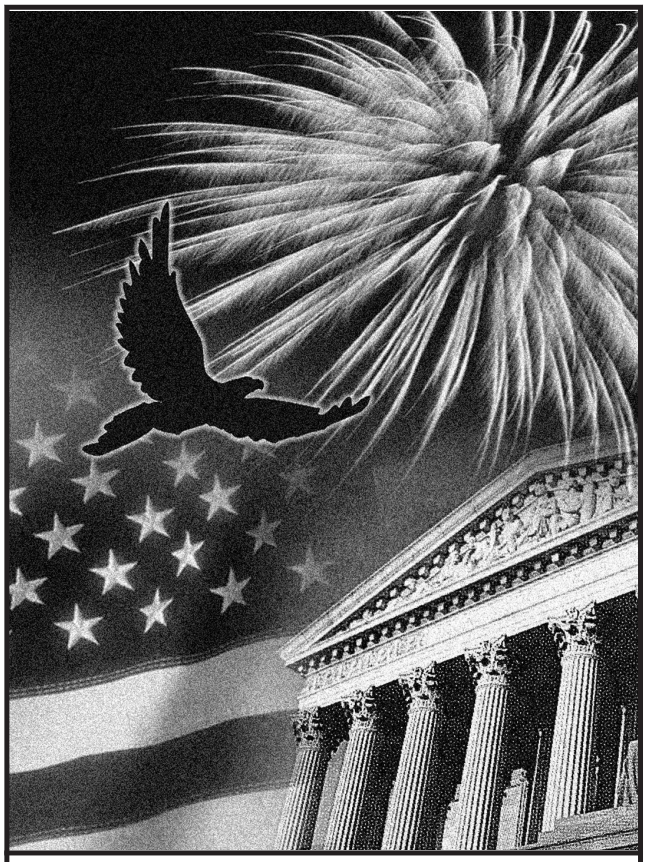
Reporting Tip Income

For use in preparing
2014 Returns



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Nov 07, 2014

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Future Developments

For the latest information about developments related to Publication 531, such as legislation enacted after this publication was published, go to www.irs.gov/pub531.

Reminder

Additional Medicare Tax. A 0.9% Additional Medicare Tax applies to Medicare wages, Railroad Retirement Tax Act (RRTA) compensation, and self-employment income that are more than:

- $125,000 if married filing separately,
- $250,000 if married filing jointly, or
- $200,000 for any other filing status.

An employer is required to withhold Additional Medicare Tax on any Medicare wages or RRTA compensation it pays to an employee in excess of $200,000 in a calendar year without regard to the employee's filing status. An employer is required to begin withholding Additional Medicare Tax in the pay period in which it pays wages or compensation in excess of $200,000 to an employee and continue to withhold it until the end of the calendar year. Additional Medicare Tax is only imposed on the employee. There is no employer share of Additional Medicare Tax. All wages and compensation that are subject to Medicare tax are subject to Additional Medicare Tax withholding if paid in excess of the $200,000 withholding threshold. Tips are subject to Additional Medicare Tax withholding, if, in combination with other wages paid by the employer, they exceed the $200,000 withholding threshold. Similarly, tips are subject to Additional Medicare Tax withholding, if, in combination with other RRTA compensation paid by the employer, they exceed the $200,000 withholding threshold.

For more information on Additional Medicare Tax, go to IRS.gov and enter “Additional Medicare Tax” in the search box.

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for

Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

This publication is for employees who receive tips.

All tips you receive are income and are subject to federal income tax. You must include in gross income all tips you receive directly, charged tips paid to you by your employer, and your share of any tips you receive under a tip-splitting or tip-pooling arrangement.

The value of noncash tips, such as tickets, passes, or other items of value, is also income and subject to tax.

Reporting your tip income correctly is not difficult. You must do three things.

1. Keep a daily tip record.
2. Report tips to your employer.
3. Report all your tips on your income tax return.

This publication will explain these three things and show you what to do on your tax return if you have not done the first two. This publication will also show you how to treat allocated tips.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can send us comments from www.irs.gov/formspubs. Click on "More Information" and then on "Give us feedback."

Or you can write to:

Internal Revenue Service
Tax Forms and Publications
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

Although we cannot respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax products.

Ordering forms and publications. Visit www.irs.gov/formspubs to download forms and publications. Otherwise, you can go to www.irs.gov/orderforms to order forms or call 1-800-829-3676 to order current and prior-year forms and instructions. Your order should arrive within 10 business days.

Tax questions. If you have a tax question, check the information available on IRS.gov or call 1-800-829-1040. We cannot answer tax questions sent to the above address.

Keeping a Daily Tip Record

Why keep a daily tip record. You must keep a daily tip record so you can:

- Report your tips accurately to your employer,
- Report your tips accurately on your tax return, and
- Prove your tip income if your return is ever questioned.

How to keep a daily tip record. There are two ways to keep a daily tip record. You can either:

- Write information about your tips in a tip diary, or
- Keep copies of documents that show your tips, such as restaurant bills and credit or debit card charge slips.

You should keep your daily tip record with your tax or other personal records. You must keep your records for as long as they are important for administration of the federal tax law. For information on how long to keep records, see *How Long to Keep Records* in chapter 1 of Publication 17, Your Federal Income Tax.

If you keep a tip diary, you can use Form 4070A, Employee's Daily Record of Tips. To get Form 4070A, ask the Internal Revenue Service (IRS) or your employer for Publication 1244, Employee's Daily Record of Tips and Report to Employer. Publication 1244 is also available at www.irs.gov/pub1244. Publication 1244 includes a 1-year supply of Form 4070A. Each day, write in the information asked for on the form. A filled-in Form 4070A is shown on the following page.

In addition to the information asked for on Form 4070A, you also need to keep a record of the date and value of any noncash tips you get, such as tickets, passes, or other items of value. Although you do not report these tips to your employer, you must report them on your tax return.

If you do not use Form 4070A, start your records by writing your name, your employer's name, and the name of the business (if it is different from your employer's name). Then, each workday, write the date and the following information.

- Cash tips you get directly from customers or from other employees.
- Tips from credit and debit card charge customers that your employer pays you.
- The value of any noncash tips you get, such as tickets, passes, or other items of value.
- The amount of tips you paid out to other employees through tip pools or tip splitting, or other arrangements, and the names of the employees to whom you paid the tips.

Sample Filled-in Form 4070A from Publication 1244

Form **4070A** (Rev. August 2005)
Department of the Treasury Internal Revenue Service

Employee's Daily Record of Tips

This is a voluntary form provided for your convenience. See instructions for records you must keep.

OMB No. 1545-0074

Employee's name and address: John W. Allen, 1117 Maple Ave., Anytown, NY 14202

Employer's name: Diamond Restaurant

Establishment name (if different):

Month and year: Oct. 2014

Date tips rec'd	Date of entry	a. Tips received directly from customers and other employees	b. Credit and debit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips
1	10/3	- OFF -			
2	10/3	48.80	26.40	15.20	Judy Brown
3	10/3	28.00	21.60	8.00	Carl Jones
4	10/5	42.00	24.00	10.00	Judy Brown
5	10/7	40.80	28.00	12.00	
Subtotals		159.60	100.00	45.20	

For Paperwork Reduction Act Notice, see Instructions on the back of Form 4070. **Page 1**

Date tips rec'd	Date of entry	a. Tips received directly from customers and other employees	b. Credit and debit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips
6	10/7	- OFF -			
7	10/8	37.20	22.40	8.00	Carl Jones
8	10/9	50.80	17.20	10.00	Judy Brown & Carl Jones
9	10/9	33.60	16.40	8.00	Judy Brown
10	10/11	30.40	22.00	9.20	Judy Brown
11	10/11	42.00	11.60	8.80	Carl Jones
12	10/14	35.60	16.00	7.60	Judy Brown
13	10/14	- OFF -			
14	10/14	48.40	14.40	12.40	Judy Brown & Brian Smith
15	10/16	45.20	32.00	17.20	Brian Smith
Subtotals		323.20	152.00	81.20	

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Date tips rec'd	Date of entry	a. Tips received directly from customers and other employees	b. Credit and debit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips
16	10/16	41.20	18.40	8.80	Judy Brown
17	10/18	39.20	21.20	9.60	Judy Brown
18	10/19	46.80	12.80	8.40	Carl Jones
19	10/21	34.00	19.20	10.00	Judy Brown
20	10/21	- OFF -			
21	10/22	34.80	26.00	12.80	Judy Brown & Brian Smith
22	10/24	42.40	22.80	12.40	Carl Jones
23	10/24	48.80	17.20	13.60	Judy Brown
24	10/25	33.60	19.20	10.80	Brian Smith
25	10/26	37.20	14.80	9.20	Judy Brown
Subtotals		358.00	171.60	95.60	

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Date tips rec'd	Date of entry	a. Tips received directly from customers and other employees	b. Credit and debit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips
26	10/26	31.60	11.60	12.40	Judy Brown
27	10/27	- OFF -			
28	10/29	43.20	14.00	12.80	Carl Jones
29	10/30	34.80	22.40	7.20	Carl Jones
30	10/31	46.00	27.20	12.80	Judy Brown & Brian Smith
31	11/2	27.60	20.40	6.40	Judy Brown
Subtotals from pages 1, 2, and 3		159.60 323.20 358.00	100.00 152.00 171.60	45.20 81.20 95.60	
Totals		1,024.00	519.20	273.60	

1. Report total cash tips (col. **a**) on Form 4070, line **1.**
2. Report total credit and debit card tips (col. **b**) on Form 4070, line **2.**
3. Report total tips paid out (col. **c**) on Form 4070, line **3.**

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Electronic tip record. You can use an electronic system provided by your employer to record your daily tips. If you do, you must receive and keep a paper copy of this record.

Service charges. Do not write in your tip diary the amount of any service charge that your employer adds to a customer's bill and then pays to you and treats as wages. This is part of your wages, not a tip. The following factors determine if you have a tip or service charge:

- The payment is made free from compulsion,
- The customer has the right to determine the amount of payment,
- The payment is not subject to negotiation or dictated by employer policy, and
- The customer generally has the right to determine who receives the payment.

See examples below.

Example 1. Good Food Restaurant adds an 18% charge to the bill for parties of 6 or more customers. Jane's bill for food and beverages for her party of 8 includes an amount on the tip line equal to 18% of the charges for food and beverages, and the total includes this amount. Because Jane did not have an unrestricted right to determine the amount on the "tip line," the 18% charge is considered a service charge. Do not include the 18% charge in your tip diary. Service charges that are paid to you are considered wages, not tips.

Example 2. Good Food Restaurant includes sample calculations of tip amounts at the bottom of its bills for food and beverages provided to customers. David's bill includes a blank "tip line," with sample tip calculations of 15%, 18%, and 20% of the charges for food and beverages at the bottom of the bill beneath the signature line. Because David is free to enter any amount on the "tip line" or leave it blank, any amount he includes is considered a tip. Be sure to include this amount in your tip diary.

Reporting Tips to Your Employer

Why report tips to your employer. You must report tips to your employer so that:

- Your employer can withhold federal income tax and social security, Medicare, Additional Medicare, or railroad retirement taxes;
- Your employer can report the correct amount of your earnings to the Social Security Administration or Railroad Retirement Board (which affects your benefits when you retire or if you become disabled, or your family's benefits if you die); and
- You can avoid the penalty for not reporting tips to your employer (explained later).

What tips to report. Report to your employer only cash, check, and debit and credit card tips you receive.

If your total tips for any 1 month from any one job are less than $20, do not report the tips for that month to that employer.

If you participate in a tip-splitting or tip-pooling arrangement, report only the tips you receive and retain. Do not report to your employer any portion of the tips you receive that you pass on to other employees. However, you must report tips you receive from other employees.

Do not report the value of any noncash tips, such as tickets or passes, to your employer. You do not pay social security, Medicare, Additional Medicare, or railroad retirement taxes on these tips.

Sample Filled-in Form 4070 from Publication 1244

Form **4070** (Rev. August 2005) Department of the Treasury Internal Revenue Service	**Employee's Report of Tips to Employer**	OMB No. 1545-0074

Employee's name and address John W. Allen 1117 Maple Ave. Anytown, NY 14202	**Social security number** 987 : 00 : 4321
Employer's name and address (include establishment name, if different) Diamond Restaurant 834 Main Street Anytown, NY 14203	**1** Cash tips received 1,024.00
	2 Credit and debit card tips received 519.20
	3 Tips paid out 273.60
Month or shorter period in which tips were received from October 1 , 2014 , to October 31 , 2014	**4** Net tips (lines **1 + 2 - 3**) 1,269.60
Signature [signed] John W. Allen	Date Nov. 11, 2014

How to report. If your employer does not give you any other way to report your tips, you can use Form 4070, Employee's Report of Tips to Employer. Fill in the information asked for on the form, sign and date the form, and give it to your employer. A sample filled-in Form 4070 is shown above. To get a 1-year supply of the form, ask the IRS or your employer for Publication 1244.

If you do not use Form 4070, give your employer a statement with the following information.

- Your name, address, and social security number.
- Your employer's name, address, and business name (if it is different from your employer's name).
- The month (or the dates of any shorter period) in which you received tips.
- The total tips required to be reported for that period.

You must sign and date the statement. Be sure to keep a copy with your tax or other personal records.

Your employer may require you to report your tips more than once a month. However, the statement cannot cover a period of more than 1 calendar month.

Electronic tip statement. Your employer can have you furnish your tip statements electronically.

When to report. Give your report for each month to your employer by the 10th of the next month. If the 10th falls on a Saturday, Sunday, or legal holiday, give your employer the report by the next day that is not a Saturday, Sunday, or legal holiday.

Example. You must report your tips received in September 2015 by October 13, 2015.

Final report. If your employment ends during the month, you can report your tips when your employment ends.

Penalty for not reporting tips. If you do not report tips to your employer as required, you may be subject to a penalty equal to 50% of the social security, Medicare, Additional Medicare, or railroad retirement taxes you owe on the unreported tips. (For information about these taxes, see *Reporting social security, Medicare, Additional Medicare, or railroad retirement taxes on tips not reported to your employer* under *Reporting Tips on Your Tax Return*, later.) The penalty amount is in addition to the taxes you owe.

You can avoid this penalty if you can show reasonable cause for not reporting the tips to your employer. To do so, attach a statement to your return explaining why you did not report them.

Giving your employer money for taxes. Your regular pay may not be enough for your employer to withhold all the taxes you owe on your regular pay plus your reported tips. If this happens, you can give your employer money until the close of the calendar year to pay the rest of the taxes.

If you do not give your employer enough money, your employer will apply your regular pay and any money you give to the taxes, in the following order.

1. All taxes on your regular pay.
2. Social security, Medicare, Additional Medicare, or railroad retirement taxes on your reported tips.
3. Federal, state, and local income taxes on your reported tips.

Any taxes that remain unpaid can be collected by your employer from your next paycheck. If withholding taxes remain uncollected at the end of the year, you may be subject to a penalty for underpayment of estimated taxes. See Publication 505, Tax Withholding and Estimated Tax, for more information.

Uncollected taxes. *You must report on your tax return any social security and Medicare taxes, or railroad retirement taxes that remained uncollected at the end of 2014. These uncollected taxes will be shown on your 2014 Form W-2. See* Reporting uncollected social security, Medicare, Additional Medicare, or railroad retirement taxes on tips reported to your employer *under* Reporting Tips on Your Tax Return*, later.*

Tip Rate Determination and Education Program

Your employer may participate in the Tip Rate Determination and Education Program. The program was developed to help employees and employers understand and meet their tip reporting responsibilities.

There are two agreements under the program: the Tip Rate Determination Agreement (TRDA) and the Tip Reporting Alternative Commitment (TRAC).

If you are employed in the gaming industry, your employer may participate in the Gaming Industry Tip Compliance Agreement Program. See Rev. Proc. 2007-32, 2007-22 I.R.B. 1322, available at *www.irs.gov/irb/2007-22_IRB/ar13.html*.

Your employer can provide you with a copy of any applicable agreement. To find out more about these agreements, visit IRS.gov and enter "restaurant tip reporting" in the search box. You may also call 1-800-829-4933, visit *www.irs.gov/localcontacts* for the IRS Taxpayer Assistance Center in your area, or send an email to *Tip.Program@irs.gov* and request information on this program.

Reporting Tips on Your Tax Return

How to report tips. Report your tips with your wages on Form 1040, line 7; Form 1040A, line 7; Form 1040EZ, line 1; Form 1040NR, line 8; or Form 1040NR-EZ, line 3.

What tips to report. Generally, you must report all tips you received in 2014 on your tax return, including both cash tips and noncash tips. Any tips you reported to your employer as required in 2014 are included in the wages shown in box 1 of your Form W-2. Add to the amount in box 1 only the tips you did not report to your employer.

However, any tips you received in 2014 that you reported to your employer as required after 2014 but before January 11, 2015, are not included in the wages shown in box 1 of your 2014 Form W-2. Do not include the amount of these tips on your 2014 tax return. Instead, include them on your 2015 tax return. Tips you received in 2013 that you reported to your employer as required after 2013 but before January 11, 2014, are included in the wages shown in box 1 of your 2014 Form W-2. Although these tips were received in 2013, you must report them on your 2014 tax return.

If you participate in a tip-splitting or tip-pooling arrangement, report only the tips you receive and retain. Do not report on your income tax return any portion of the tips you receive that you pass on to other employees. However, you must report tips you receive from other employees.

If you received $20 or more in cash and charge tips in a month and did not report all of those tips to your employer, see Reporting social security, Medicare, Additional Medicare, or railroad retirement taxes on tips not reported to your employer*, later.*

If you did not keep a daily tip record as required and an amount is shown in box 8 of your Form W-2, see Allocated Tips*, later.*

If you kept a daily tip record and reported tips to your employer as required under the rules explained earlier, add the following tips to the amount in box 1 of your Form W-2.

- Cash and charge tips you received that totaled less than $20 for any month.
- The value of noncash tips, such as tickets, passes, or other items of value.

Example. Ben Smith began working at the Blue Ocean Restaurant (his only employer in 2014) on June 30 and received $10,000 in wages during the year. Ben kept a daily tip record showing that his tips for June were $18 and his tips for the rest of the year totaled $7,000. He was not required to report his June tips to his employer, but he reported all of the rest of his tips to his employer as required.

Ben's Form W-2 from Blue Ocean Restaurant shows $17,000 ($10,000 wages + $7,000 reported tips) in box 1. He adds the $18 unreported tips to that amount and reports $17,018 as wages on his tax return.

Reporting social security, Medicare, Additional Medicare, or railroad retirement taxes on tips not reported to your employer. If you received $20 or more in cash and charge tips in a month from any one job and did not report all of those tips to your employer, you must report the social security, Medicare, and Additional Medicare taxes on the unreported tips as additional tax on your return. To report these taxes, you must file Form 1040, Form 1040NR, Form 1040-PR, or Form 1040-SS (not Form 1040A, Form 1040EZ, or Form 1040NR-EZ) even if you would not otherwise have to file.

Use Form 4137, Social Security and Medicare Tax on Unreported Tip Income, to figure social security and Medicare taxes and/or Form 8959, Additional Medicare Tax, to figure Additional Medicare Tax. Enter the tax(es) on your

return as instructed, and attach the completed Form 4137 and/or Form 8959 to your return.

If you are subject to the Railroad Retirement Tax Act, you cannot use Form 4137 to pay railroad retirement tax on unreported tips. To get railroad retirement credit, you must report tips to your employer.

Reporting uncollected social security, Medicare, Additional Medicare, or railroad retirement taxes on tips reported to your employer. You may have uncollected taxes if your regular pay was not enough for your employer to withhold all the taxes you owe and you did not give your employer enough money to pay the rest of the taxes. For more information, see *Giving your employer money for taxes*, under *Reporting Tips to Your Employer*, earlier.

If your employer could not collect all the social security and Medicare taxes, or railroad retirement taxes you owe on tips reported for 2014, the uncollected taxes will be shown in box 12 of your Form W-2 (codes A and B). You must report these amounts as additional tax on your return.

If you worked in the U.S. possessions and received Form W-2AS, Form W-2CM, Form W-2GU, or Form W-2VI, any uncollected taxes on tips will be shown in box 12 with codes A and B. If you received Form 499R-2/W-2PR, any uncollected taxes will be shown in boxes 22 and 23. Unlike the uncollected portion of the regular (1.45%) Medicare tax, the uncollected Additional Medicare Tax is not reported on Form W-2.

To report these uncollected taxes, you must file Form 1040NR, Form 1040-PR, or Form 1040-SS (not Form 1040A, Form 1040EZ, or Form 1040NR-EZ) even if you would not otherwise have to file. You can report these taxes on Form 1040, in the space next to line 62, or the corresponding line of Form 1040NR, Form 1040-PR, or Form 1040-SS (not Form 1040A, Form 1040EZ, or Form 1040NR-EZ). See the instructions for these forms for exact reporting information.

Self-employed persons. If you receive tips as a self-employed person, you should report these tips as income on Schedule C or C-EZ. See Publication 334, Tax Guide for Small Business, for more information on reporting business income.

Allocated Tips

If your employer allocated tips to you, they are shown separately in box 8 of your Form W-2. They are not included in box 1 with your wages and reported tips. If box 8 is blank, this discussion does not apply to you.

What are allocated tips. These are tips that your employer assigned to you in addition to the tips you reported to your employer for the year. Your employer will have done this only if:

- You worked in an establishment (restaurant, cocktail lounge, or similar business) that must allocate tips to employees, and
- The tips you reported to your employer were less than your share of 8% of food and drink sales.

No income, social security, Medicare, Additional Medicare, or railroad retirement taxes are withheld on allocated tips.

How were your allocated tips figured. The tips allocated to you are your share of an amount figured by subtracting the reported tips of all employees from 8% (or an approved lower rate) of food and drink sales (other than carryout sales and sales with a service charge of 10% or more). Your share of that amount was figured using either a method provided by an employer-employee agreement or a method provided by IRS regulations based on employees' sales or hours worked. For information about the exact allocation method used, ask your employer.

Must you report your allocated tips on your tax return. You must report tips you received in 2014 (including both cash and noncash tips) on your tax return as explained in *What tips to report*, earlier. Any tips you reported to your employer in 2014 as required (explained under *Reporting Tips to Your Employer*, earlier) are included in the wages shown in box 1 of your Form W-2. Add to the amount in box 1 only the tips you did not report to your employer as required. This should include any allocated tips shown in box 8 on your Form(s) W-2, unless you have adequate records to show that you received less tips in the year than the allocated amount.

See *What tips to report* under *Reporting Tips on Your Tax Return*, and *Keeping a Daily Tip Record*, earlier.

How to report allocated tips. If you received any tips in 2014 that you did not report to your employer as required (including allocated tips that you are required to report on your tax return), add these tips to the amount in box 1 of your Form(s) W-2 and report this amount as wages on Form 1040, line 7; Form 1040NR, line 8; or Form 1040NR-EZ, line 3. You cannot file Form 1040A or Form 1040EZ.

Because social security, Medicare, or Additional Medicare taxes were not withheld from the allocated tips, you must report those taxes as additional tax on your return. Complete Form 4137 and include the allocated tips on line 1 of the form as provided in its instructions. See *Reporting social security, Medicare, Additional Medicare, or railroad retirement taxes on tips not reported to your employer* under *Reporting Tips on Your Tax Return*, earlier.

How to request an approved lower rate. Your employer can use a tip rate lower than 8% (but not lower than 2%) to figure allocated tips only if the IRS approves the lower rate. Either the employer or the employees can request approval of a lower rate by filing a petition with the IRS. The petition must include specific information about

the establishment that will justify the lower rate. A user fee must be paid with the petition.

An employee petition can be filed only with the consent of a majority of the directly tipped employees (waiters, bartenders, and others who receive tips directly from customers). The petition must state the total number of directly tipped employees and the number of employees consenting to the petition. Employees filing the petition must promptly notify the employer, and the employer must promptly give the IRS a copy of all Forms 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, filed for the establishment for the previous 3 years.

For more information about how to file a petition and what information to include, see *Allocation of Tips* in the Instructions for Form 8027.

How To Get Tax Help

Do you need help with a tax issue or preparing your tax return, or do you need a free publication or form?

Preparing and filing your tax return. Find free options to prepare and file your return on IRS.gov or in your local community if you qualify.

- Go to IRS.gov and click on the Filing tab to see your options.
- Enter "Free File" in the search box to use brand name software to prepare and *e-file* your federal tax return for free.
- Enter "VITA" in the search box, download the free IRS2Go app, or call 1-800-906-9887 to find the nearest Volunteer Income Tax Assistance or Tax Counseling for the Elderly (TCE) location for free tax preparation.
- Enter "TCE" in the search box, download the free IRS2Go app, or call 1-888-227-7669 to find the nearest Tax Counseling for the Elderly location for free tax preparation.

The Volunteer Income Tax Assistance (VITA) program offers free tax help to people who generally make $53,000 or less, persons with disabilities, the elderly, and limited-English-speaking taxpayers who need help preparing their own tax returns. The Tax Counseling for the Elderly (TCE) program offers free tax help for all taxpayers, particularly those who are 60 years of age and older. TCE volunteers specialize in answering questions about pensions and retirement-related issues unique to seniors.

Getting answers to your tax law questions. IRS.gov and IRS2Go are ready when you are—24 hours a day, 7 days a week.

- Enter "ITA" in the search box on IRS.gov for the Interactive Tax Assistant, a tool that will ask you questions on a number of tax law topics and provide answers. You can print the entire interview and the final response.
- Enter "Tax Map" or "Tax Trails" in the search box for detailed information by tax topic.
- Enter "Pub 17" in the search box to get Pub. 17, Your Federal Income Tax for Individuals, which features details on tax-saving opportunities, 2014 tax changes, and thousands of interactive links to help you find answers to your questions.
- Call TeleTax at 1-800-829-4477 for recorded information on a variety of tax topics.
- Access tax law information in your electronic filing software.
- Go to IRS.gov and click on the Help & Resources tab for more information.

Tax forms and publications. You can download or print all of the forms and publications you may need on *www.irs.gov/formspubs*. Otherwise, you can:

- Go to *www.irs.gov/orderforms* to place an order and have forms mailed to you, or
- Call 1-800-829-3676 to order current-year forms, instructions, publications, and prior-year forms and instructions (limited to 5 years).

You should receive your order within 10 business days.

Where to file your tax return.

- There are many ways to file your return electronically. It's safe, quick and easy. See *Preparing and filing your tax return*, earlier, for more information.
- See your tax return instructions to determine where to mail your completed paper tax return.

Getting a transcript or copy of a return.

- Go to IRS.gov and click on "Get Transcript of Your Tax Records" under "Tools."
- Download the free IRS2Go app to your smart phone and use it to order transcripts of your tax returns or tax account.
- Call the transcript toll-free line at 1-800-908-9946.
- Mail Form 4506-T or Form 4506T-EZ (both available on IRS.gov).

Using online tools to help prepare your return. Go to IRS.gov and click on the Tools bar to use these and other self-service options.

- The *Earned Income Tax Credit Assistant* determines if you are eligible for the EIC.
- The *First Time Homebuyer Credit Account Look-up* tool provides information on your repayments and account balance.
- The *Alternative Minimum Tax (AMT) Assistant* determines whether you may be subject to AMT.
- The *Online EIN Application* helps you get an Employer Identification Number.

- The *IRS Withholding Calculator* estimates the amount you should have withheld from your paycheck for federal income tax purposes.
- The *Electronic Filing PIN Request* helps to verify your identity when you do not have your prior year AGI or prior year self-selected PIN available.

Understanding identity theft issues.

- Go to *www.irs.gov/uac/Identity-Protection* for information and videos.
- Contact the Identity Protection Specialized Unit at 1-800-908-4490 if you believe you are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, etc.

Checking on the status of a refund.

- Go to *www.irs.gov/refunds*.
- Download the free IRS2Go app to your smart phone and use it to check your refund status.
- Call the automated refund hotline at 1-800-829-1954.

Making a tax payment. You can make electronic payments online, by phone, or from a mobile device. Paying electronically is safe and secure. The IRS uses the latest encryption technology and does not store banking information. It's easy and secure and much quicker than mailing in a check or money order. Go to IRS.gov and click on the Payments tab or the "Pay Your Tax Bill" icon to make a payment using the following options.

- *Direct Pay* (only if you are an individual who has a checking or savings account).
- Debit or credit card.
- Electronic Federal Tax Payment System.
- Check or money order.

What if I can't pay now? Click on the Payments tab or the "Pay Your Tax Bill" icon on IRS.gov to find more information about these additional options.

- An *online payment agreement* determines if you are eligible to apply for an installment agreement if you cannot pay your taxes in full today. With the needed information, you can complete the application in about 30 minutes, and get immediate approval.
- An offer in compromise allows you to settle your tax debt for less than the full amount you owe. Use the *Offer in Compromise Pre-Qualifier* to confirm your eligibility.

Checking the status of an amended return. Go to IRS.gov and click on the Tools tab and then *Where's My Amended Return?*

Understanding an IRS notice or letter. Enter "Understanding your notice" in the search box on IRS.gov to find additional information about your IRS notice or letter.

Visiting the IRS. Locate the nearest Taxpayer Assistance Center using the Office Locator tool on IRS.gov. Enter "office locator" in the search box. Or choose the "Contact Us" option on the IRS2Go app and search Local Offices. Before you visit, use the Locator tool to check hours and services available.

Watching IRS videos. The IRS Video portal *www.irsvideos.gov* contains video and audio presentations on topics of interest to individuals, small businesses, and tax professionals. You'll find video clips of tax topics, archived versions of live panel discussions and Webinars, and audio archives of tax practitioner phone forums.

Getting tax information in other languages. For taxpayers whose native language is not English, we have the following resources available.

1. Taxpayers can find information on IRS.gov in the following languages.
   a. *Spanish*.
   b. *Chinese*.
   c. *Vietnamese*.
   d. *Korean*.
   e. *Russian*.
2. The IRS Taxpayer Assistance Centers provide over-the-phone interpreter service in over 170 languages, and the service is available free to taxpayers.

The Taxpayer Advocate Service Is Here To Help You

What is the Taxpayer Advocate Service?

The Taxpayer Advocate Service (TAS) is an ***independent*** organization within the Internal Revenue Service that helps taxpayers and protects taxpayer rights. Our job is to ensure that every taxpayer is treated fairly and that you know and understand your rights under the *Taxpayer Bill of Rights*.

What Can the Taxpayer Advocate Service Do For You?

We can help you resolve problems that you can't resolve with the IRS. And our service is free. If you qualify for our assistance, you will be assigned to one advocate who will work with you throughout the process and will do everything possible to resolve your issue. TAS can help you if:

- Your problem is causing financial difficulty for you, your family, or your business,
- You face (or your business is facing) an immediate threat of adverse action, or
- You've tried repeatedly to contact the IRS but no one has responded, or the IRS hasn't responded by the date promised.

How Can You Reach Us?

We have offices *in every state, the District of Columbia, and Puerto Rico*. Your local advocate's number is in your local directory and at *www.irs.gov/Advocate/Local-Taxpayer-Advocate*. You can also call us at 1-877-777-4778.

How Can You Learn About Your Taxpayer Rights?

The Taxpayer Bill of Rights describes ten basic rights that all taxpayers have when dealing with the IRS. Our Tax Toolkit at *www.taxpayeradvocate.irs.gov* can help you understand *what these rights mean to you* and how they apply. These are ***your*** rights. Know them. Use them.

How Else Does the Taxpayer Advocate Service Help Taxpayers?

TAS works to resolve large-scale problems that affect many taxpayers. If you know of one of these broad issues, please report it to us at *www.irs.gov/sams*.

Low Income Taxpayer Clinics

Low Income Taxpayer Clinics (LITCs) serve individuals whose income is below a certain level and need to resolve tax problems such as audits, appeals, and tax collection disputes. Some clinics can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. To find a clinic near you, visit *www.irs.gov/litc* or see IRS Publication 4134, *Low Income Taxpayer Clinic List*.

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To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.

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EMPLOYER HANDBOOK

NEVADA UNEMPLOYMENT COMPENSATION PROGRAM

STATE OF NEVADA
DEPARTMENT OF EMPLOYMENT, TRAINING & REHABILITATION
EMPLOYMENT SECURITY DIVISION
CONTRIBUTIONS SECTION

Revised February 2008

EMPLOYER HANDBOOK

NEVADA UNEMPLOYMENT COMPENSATION PROGRAM

Prepared By

EMPLOYMENT SECURITY DIVISION
CONTRIBUTIONS SECTION

The statements in this handbook are for general information and do not have the effect of law or regulation.

NUCS 4061 (Rev. 2/08) (NSPO) (O) 1316

EMPLOYMENT SECURITY DIVISION

State Administrative Office

500 E. Third Street
Carson City, Nevada 89713

Contributions Section

1320 S. Curry Street, Carson City, Nevada
Mailing Address: 500 E. Third Street, Carson City, Nevada 89713-0030
Telephone: (775) 684-6300
TTY/TDD and Voice: Relay Nevada 711 or (800) 326-6868

Web Site: https://uitax.nvdetr.org

Field Audit Offices

Carson City

1340 S. Curry Street, Carson City, Nevada
Mailing Address: 500 E. Third Street, Carson City, Nevada 89713-0030
Telephone: (775) 684-6390

Reno

1325 Corporate Boulevard, Reno, Nevada 89502
Telephone: (775) 823-6680

Las Vegas

2800 E. St. Louis Avenue, Las Vegas, Nevada 89104
Telephone: (702) 486-0250

An equal opportunity employer/program
Auxiliary aids and services available upon request for individuals with disabilities

Quarterly Contribution and Wage Reports

Each employer must file an **Employer's Quarterly Contribution and Wage Report** (form NUCS 4072) and pay unemployment taxes each quarter.

There are several methods available for filing quarterly reports:

Online Reporting via the Internet

Online tax and wage reporting at <https://uitax.nvdetr.org> consists of a series of interactive questions with helpful prompts along the way. The system even performs the calculations for the amount of taxes due. The options for online reporting of wage details are Secure File Transfer Protocol (SFTP) utilizing MMREF-1 magnetic media specifications, data entry directly online (including an auto load function), or attaching a Microsoft Excel spreadsheet saved as a comma-delimited file. Reporting online is efficient and secure.

Filing on Magnetic Media

Magnetic media can be submitted to report tax and wage information using the MMREF-1 magnetic media specifications on a CD, diskette, or cartridge. The magnetic media specifications are available at <https://uitax.nvdetr.org> or you may request a copy of the specifications by contacting the Contributions Section. See Appendix C for the mailing address and telephone number for the "Magnetic Media Coordinator."

Send Quarterly Reports by Mail

You may also report quarterly tax and wage information on the **Employer's Quarterly Contribution and Wage Report** (form NUCS 4072). Mail completed quarterly reports to the Employment Security Division, Contributions Section, 500 E. Third Street, Carson City, Nevada 89713-0030.

Quarterly reporting forms are sent to each registered employer approximately one month before the end of the quarter. The form is preprinted with your Employer Account Number, tax rate, and the taxable wage base. If, for some reason, you do not receive a preprinted quarterly form by the last day of each calendar quarter, contact the division to verify your correct address.

To list additional employees use a **Continuation Sheet** (form NUCS 4073). Or you may enclose a list of additional employees including for each, their Social Security number, name, total tips, and total wages (including tips).

See Appendix B for samples of forms. The forms are available online at <https://uitax.nvdetr.org> or request copies from the Contributions Section. See Appendix C for the mailing address and telephone number for "Form Requests."

NOTE: Wages must be reported in the quarter in which they are actually paid, rather than for the pay period in which they were earned.

When Reports and Payments Are Due

Generally, the completed quarterly report , together with any payment due, must be received by the division, by the last day of the first month following the close of the calendar quarter covered by the report. If the due date is a Saturday, Sunday, or legal holiday, then reports and taxes are due on the next day that is not a Saturday, Sunday, or legal holiday.

Calendar Quarter	Due Date
January, February, March	April 30
April, May, June	July 31
July, August, September	October 31
October, November, December	January 31

The postmark determines timeliness if mailed. Online reporting and electronic payments should be completed by 5:00 P.M. Pacific Time on the due date. It is your responsibility to file reports and pay when due, regardless if you receive and use a preprinted form, download a blank form, or if you file online. The filing is considered delinquent if one or more days late. Avoid unnecessary charges by filing and paying timely.

Reporting Wages

Total gross wages (including tips) paid to each employee during a calendar quarter must be reported. Although the total wages must be reported for each employee, taxes are required to be paid only up to the taxable wage limit for the year.

Unemployment benefit entitlement is based on the total wages earned by an employee. The wage information needed to determine the amount of unemployment benefits, is obtained from wages reported each quarter.

In a few states, employees do contribute a small share. However, during the formulation of the federal/state system, the consensus of opinion among the states was that this would lead to assertions that the employee has a vested right to the money. But, the intent was to make benefit entitlement contingent only upon certain conditions regarding employment and unemployment. If the employer bears the entire cost, he will more likely participate in the benefit entitlement process in order to control his costs and limit payment to the truly unemployed.

9. I have written agreements with my workers that they are "independent contractors." Doesn't that exempt them from unemployment tax?

A written contract does not necessarily establish "independent contractor" status. In fact, any agreement by an individual which waives his rights to benefits is void (NRS 612.700). And while the written contract provisions may be considered in any determination, the conditions described in NRS 612.085 must also be met **in fact**. See page 9 regarding independent contractors.

10. My workers meet the requirements of independent contractors for IRS purposes. Doesn't that exempt them from state unemployment taxes?

Not necessarily. See page 9 for a full explanation.

11. Why do I have to report tips separately on my quarterly tax reports?

Tips are included in a claimant's earnings when determining if he is entitled to benefits and in what amounts. However, the maximum weekly benefit amount changes each year and is equal to 50 percent of the average weekly wage paid to Nevada workers. The law requires that tips be **excluded** from the calculation of the maximum weekly benefit amount. Reporting tips separately is important for employers, since it reduces the overall cost and tax rates.

12. What posters and notices are required by Nevada law regarding unemployment insurance?

Each employer is required to post a **Notice to Employees** (form NUCS 4324) at each workplace and must provide a leaflet, **Information for the Unemployed Worker** (form NUCS 4139), to each employee who separates from employment.

See Appendix B for samples of forms. The forms are available online at <https://uitax.nvdetr.org> or request copies from the Contributions Section. See Appendix C for the mailing address and telephone number for "Form Requests."

Frequently Asked Questions

General Information:

- Who pays the cost of Unemployment Insurance, the employer or the employee?
- Why do employers pay the entire cost of unemployment benefits? Why doesn't the employee contribute?
- How can I control my tax costs?
- How is my tax rate determined?
- How am I notified when my rate changes?
- What is an Experience Rating and how does it affect my tax rate?
- What is the self-insurance or "reimbursement" option?
- How do I know if unemployment benefits have been charged to my UI Employer Account?
- I'm a base period employer. One of my workers quit without good cause, yet my experience record is still charged with part of his benefits. Why should I be charged when I had no control over his leaving?
- If an employee quits or is fired, can he draw benefits?
- I have written agreements with my workers that they are independent contractors. Doesn't that exempt them from unemployment tax?
- My workers meet all the requirements of an independent contactor for IRS purposes. Doesn't that exempt them from state unemployment taxes?
- Are Cafeteria and 401k plans reportable wages?
- I'm an officer and sole shareholder of a subchapter S corporation. Why should I have to pay taxes on myself? I'll never be able to draw benefits.
- If I have already paid taxes on an employee in another state, and then transfer him to Nevada, can those wages be considered when calculating non-taxable wages?
- Why do I have to report tips separately on my quarterly tax reports?

Q: I'm an officer and sole shareholder of a subchapter S corporation. Why should I have to pay taxes on myself? I'll never be able to draw benefits.

A: A corporation is a separate legal entity and thus a separate "employing unit" under Nevada Unemployment Compensation Law. Therefore, any individual performing services for wages is an employee of the corporation. Subchapter S status pertains to federal income tax laws and has no bearing on state law. Unemployment compensation is an insurance program; and while the likelihood of drawing benefits may be less than in other situations, it is still possible, if all other requirements are met.

Q: If I have already paid taxes on an employee in another state, and then transfer him to Nevada, can those wages be considered when calculating nontaxable wages?

A: Yes, as long as he continues to work for the same employer.

Q: Why do I have to report tips separately on my quarterly tax reports?

A: Tips are included in a claimant's earnings when determining if he is entitled to benefits and in what amounts. However, the maximum weekly benefit amount changes each year and is equal to 50 percent of the average weekly wage paid to Nevada workers. The law requires that tips be excluded from the calculation of the maximum weekly benefit amount. Reporting tips separately is important for employers, since it reduces overall costs and tax rate.

Q: What posters and notices are required by Nevada law regarding unemployment insurance?

A: Each employer is required to post a Notice to Employees (form NUCS 4324) at each work place and must provide a leaflet, Information for the Unemployed Worker (form NUCS 4139), to each employee who separates from employment.

Q: What if I sell my business?

A: If you sell your business, notify the division immediately in writing. Within 10 days of sale or change in ownership, you must file final Employer's Quarterly Contributions and Wage Report (form NUCS-4072) and pay any contributions, forfeits, or interest due.

Q: What if I acquire an existing business?

When acquiring an existing business, you must complete a Nevada Business Registration (NBR) form or register online. Upon registering the acquisition, the Employment Security Division will send you a Notice of Eligibility/Application for Transfer of Experience Record (form NUCS 4460). You may either pay unemployment insurance taxes at the new employer rate of 2.95 percent (.0295) of taxable wages for a period ranging from 14 to 17 calendar quarters (the same rate a s a new business), or apply to

Q: When using the online registration, I clicked the "Next" button and realized I made an error on the previous page. How can I make corrections?

A: Click on the "Previous" button and make appropriate corrections. If you use the "Previous" button, the data that has been entered on the current page will not be lost.

Q: I failed to print a copy of the Internet Registration. How do I get a copy of the information I submitted?

A: You may obtain a copy a by visiting the online Confidential Services and clicking on the "Print Previously Filed Electronic Reports" selection.

Tax and Wage Reporting:

Q: Are employers required to use the online tax and wage reporting service to file quarterly reports?

A: No, use of this service is optional. Filing of an Employer's Quarterly Contribution and Wage Report (NUCS-4072) online one quarter will not prevent an employer from using other filing methods in future quarters.

Q: Will my filing forms still be mailed to me?

A: Yes, you will continue to receive Employer's Quarterly Contribution and Wage Reports. If you use the online tax and wage reporting service, please disregard these forms; do not file additional hard copy reports.

Q: What constitutes wages?

A: In general, all remuneration paid for personal services is considered "wages" and must be reported on the Employer's Quarterly Contribution and Wage Report (Form NUCS-4072). Payments may be in the form of cash or any form other than cash, such as meals, lodging, or merchandise. Certain types of payments are often mistakenly considered exempt by employers. For more detailed information please see the Employer Handbook.

Q: Are tips reportable as wages?

A: Yes, tips are reportable and should be listed separately in column 15 of form NUCS-4072 and included in the total wages in item 16.

Q: Am I required to report Corporate Officer wages?

A: Yes, salaries and other payments made to corporate officers for their services to the corporation are wages. This includes officers of "subchapter S" corporations, as well as regular corporations.

IRS

4. Tax Withholding and Estimated Tax

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What's New for 2015

Tax law changes for 2015. When you figure how much income tax you want withheld from your pay and when you figure your estimated tax, consider tax law changes effective in 2015. For more information, see Publication 505, Tax Withholding and Estimated Tax.

Reminders

Estimated tax safe harbor for higher income taxpayers. If your 2014 adjusted gross income was more than $150,000 ($75,000 if you are married filing a separate return), you must pay the smaller of 90% of your expected tax for 2015 or 110% of the tax shown on your 2014 return to avoid an estimated tax penalty.

Introduction

This chapter discusses how to pay your tax as you earn or receive income during the year. In general, the federal income tax is a pay-as-you-go tax. There are two ways to pay as you go.

- Withholding. If you are an employee, your employer probably withholds income tax from your pay. Tax also may be withheld from certain other income, such as pensions, bonuses, commissions, and gambling winnings. The amount withheld is paid to the IRS in your name.
- Estimated tax. If you do not pay your tax through withholding, or do not pay enough tax that way, you may have to pay estimated tax. People who are in business for themselves generally will have to pay their tax this way. Also, you may have to pay estimated tax if you receive income such as dividends, interest, capital gains, rent, and royalties. Estimated tax is used to pay not only income tax, but self-employment tax and alternative minimum tax as well.

This chapter explains these methods. In addition, it also explains the following.

- Credit for withholding and estimated tax. When you file your 2014 income tax return, take credit for all the income tax withheld from your salary, wages, pensions, etc., and for the estimated tax you paid for 2014. Also take credit for any excess social security or railroad retirement tax withheld (discussed in chapter 38).
- Underpayment penalty. If you did not pay enough tax during the year, either through withholding or by making estimated tax payments, you may have to pay a penalty. In most cases, the IRS can figure this penalty for you. See *Underpayment Penalty for 2014* at the end of this chapter.

Useful Items - You may want to see:

Publication

- 505 Tax Withholding and Estimated Tax

Form (and Instructions)

- W-4 Employee's Withholding Allowance Certificate
- W-4P Withholding Certificate for Pension or Annuity Payments
- W-4S Request for Federal Income Tax Withholding From Sick Pay
- W-4V Voluntary Withholding Request
- 1040-ES Estimated Tax for Individuals

- 2210 Underpayment of Estimated Tax by Individuals, Estates, and Trusts
- 2210-F Underpayment of Estimated Tax by Farmers and Fishermen

Tax Withholding for 2015

This section discusses income tax withholding on:

- Salaries and wages,
- Tips,
- Taxable fringe benefits,
- Sick pay,
- Pensions and annuities,
- Gambling winnings,
- Unemployment compensation, and
- Certain federal payments.

This section explains the rules for withholding tax from each of these types of income.

This section also covers backup withholding on interest, dividends, and other payments.

Salaries and Wages

Income tax is withheld from the pay of most employees. Your pay includes your regular pay, bonuses, commissions, and vacation allowances. It also includes reimbursements and other expense allowances paid under a nonaccountable plan. See *Supplemental Wages*, later, for more information about reimbursements and allowances paid under a nonaccountable plan.

If your income is low enough that you will not have to pay income tax for the year, you may be exempt from withholding. This is explained under *Exemption From Withholding*, later.

You can ask your employer to withhold income tax from noncash wages and other wages not subject to withholding. If your employer does not agree to withhold tax, or if not enough is withheld, you may have to pay estimated tax, as discussed later under *Estimated Tax for 2015*.

Military retirees. Military retirement pay is treated in the same manner as regular pay for income tax withholding purposes, even though it is treated as a pension or annuity for other tax purposes.

Household workers. If you are a household worker, you can ask your employer to withhold income tax from your pay. A household worker is an employee who performs household work in a private home, local college club, or local fraternity or sorority chapter.

Tax is withheld only if you want it withheld and your employer agrees to withhold it. If you do not have enough income tax withheld, you may have to pay estimated tax, as discussed later under *Estimated Tax for 2015*.

Farmworkers. Generally, income tax is withheld from your cash wages for work on a farm unless your employer does both of these:

- Pays you cash wages of less than $150 during the year, and
- Has expenditures for agricultural labor totaling less than $2,500 during the year.

Differential wage payments. When employees are on leave from employment for military duty, some employers make up the difference between the military pay and civilian pay. Payments to an employee who is on active duty for a period of more than 30 days will be subject to income tax withholding, but not subject to social security, Medicare, or federal unemployment (FUTA) tax withholding. The wages and withholding will be reported on Form W-2, Wage and Tax Statement.

Determining Amount of Tax Withheld Using Form W-4

The amount of income tax your employer withholds from your regular pay depends on two things.

- The amount you earn in each payroll period.
- The information you give your employer on Form W-4.

Form W-4 includes four types of information that your employer will use to figure your withholding.

- Whether to withhold at the single rate or at the lower married rate.
- How many withholding allowances you claim (each allowance reduces the amount withheld).
- Whether you want an additional amount withheld.
- Whether you are claiming an exemption from withholding in 2015. See Exemption From Withholding, later.

Note.

You must specify a filing status and a number of withholding allowances on Form W-4. You cannot specify only a dollar amount of withholding.

New Job

When you start a new job, you must fill out Form W-4 and give it to your employer. Your employer should have copies of the form. If you need to change the information later, you must fill out a new form.

If you work only part of the year (for example, you start working after the beginning of the year), too much tax may be withheld. You may be able to avoid overwithholding if your employer agrees to use the part-year method. See *Part-Year Method* in chapter 1 of Publication 505 for more information.

Employee also receiving pension income. If you receive pension or annuity income and begin a new job, you will need to file Form W-4 with your new employer. However, you can choose to split your withholding allowances between your pension and job in any manner.

Changing Your Withholding

During the year changes may occur to your marital status, exemptions, adjustments, deductions, or credits you expect to claim on your tax return. When this happens, you may need to give your employer a new Form W-4 to change your withholding status or your number of allowances.

If the changes reduce the number of allowances you are claiming or changes your marital status from married to single, you must give your employer a new Form W-4 within 10 days.

Generally, you can submit a new Form W-4 whenever you wish to change the number of your withholding allowances for any other reason.

Changing your withholding for 2016. If events in 2015 will decrease the number of your withholding allowances for 2016, you must give your employer a new Form W-4 by December 1, 2015. If the event occurs in December 2015, submit a new Form W-4 within 10 days.

Checking Your Withholding

After you have given your employer a Form W-4, you can check to see whether the amount of tax withheld from your pay is too little or too much. If too much or too little tax is being withheld, you should give your employer a new Form W-4 to change your withholding. You should try to have your withholding match your actual tax liability. If not enough tax is withheld, you will owe tax at the end of the year and may have to pay interest and a penalty. If too much tax is withheld, you will lose the use of that money until you get your refund. Always check your withholding if there are personal or financial changes in your life or changes in the law that might change your tax liability.

Note.

You cannot give your employer a payment to cover withholding on salaries and wages for past pay periods or a payment for estimated tax.

Completing Form W-4 and Worksheets

Form W-4 has worksheets to help you figure how many withholding allowances you can claim. The worksheets are for your own records. Do not give them to your employer.

Multiple jobs. If you have income from more than one job at the same time, complete only one set of Form W-4 worksheets. Then split your allowances between the Forms W-4 for each job. You cannot claim the same allowances with more than one employer at the same time. You can claim all your allowances with one employer and none with the other(s), or divide them any other way.

Married individuals. If both you and your spouse are employed and expect to file a joint return, figure your withholding allowances using your combined income, adjustments, deductions, exemptions, and credits. Use only one set of worksheets. You can divide your total allowances any way, but you cannot claim an allowance that your spouse also claims.

If you and your spouse expect to file separate returns, figure your allowances using separate worksheets based on your own individual income, adjustments, deductions, exemptions, and credits.

Alternative method of figuring withholding allowances. You do not have to use the Form W-4 worksheets if you use a more accurate method of figuring the number of withholding allowances. For more information, see *Alternative method of figuring withholding allowances* under *Completing Form W-4 and Worksheets* in Publication 505, chapter 1.

Personal Allowances Worksheet. Use the Personal Allowances Worksheet on Form W-4 to figure your withholding allowances based on exemptions and any special allowances that apply.

Deduction and Adjustments Worksheet. Use the Deduction and Adjustments Worksheet on Form W-4 if you plan to itemize your deductions, claim certain credits, or claim adjustments to the income on your 2015 tax return and you want to reduce your withholding. Also, complete this worksheet when you have changes to these items to see if you need to change your withholding.

Two-Earners/Multiple Jobs Worksheet. You may need to complete the Two-Earners/Multiple Jobs Worksheet on Form W-4 if you have more than one job, a working spouse, or are also receiving a pension. Also, on this worksheet you can add any additional withholding necessary to cover any amount you expect to owe other than income tax, such as self-employment tax.

Getting the Right Amount of Tax Withheld

In most situations, the tax withheld from your pay will be close to the tax you figure on your return if you follow these two rules.

- You accurately complete all the Form W-4 worksheets that apply to you.
- You give your employer a new Form W-4 when changes occur.

But because the worksheets and withholding methods do not account for all possible situations, you may not be getting the right amount withheld. This is most likely to happen in the following situations.

- You are married and both you and your spouse work.
- You have more than one job at a time.
- You have nonwage income, such as interest, dividends, alimony, unemployment compensation, or self-employment income.
- You will owe additional amounts with your return, such as self-employment tax.
- Your withholding is based on obsolete Form W-4 information for a substantial part of the year.
- Your earnings are more than the amount shown under *Check your withholding* in the instructions at the top of page 1 of Form W-4.
- You work only part of the year.
- You change the number of your withholding allowances during the year.

Cumulative wage method. If you change the number of your withholding allowances during the year, too much or too little tax may have been withheld for the period before you made the change. You may be able to compensate for this if your employer agrees to use the cumulative wage withholding method for the rest of the year. You must ask your employer in writing to use this method.

To be eligible, you must have been paid for the same kind of payroll period (weekly, biweekly, etc.) since the beginning of the year.

Publication 505

To make sure you are getting the right amount of tax withheld, get Publication 505. It will help you compare the total tax to be withheld during the year with the tax you can expect to figure on your return. It also will help you determine how much, if any, additional withholding is needed each payday to avoid owing tax when you file your return. If you do not have enough tax withheld, you may have to pay estimated tax, as explained under *Estimated Tax for 2015* , later.

You can use the IRS Withholding Calculator at www.irs.gov/Individuals/IRS-Withholding-Calculator, instead of Publication 505 or the worksheets included with Form W-4, to determine whether you need to have your withholding increased or decreased.

Rules Your Employer Must Follow

It may be helpful for you to know some of the withholding rules your employer must follow. These rules can affect how to fill out your Form W-4 and how to handle problems that may arise.

New Form W-4. When you start a new job, your employer should have you complete a Form W-4. Beginning with your first payday, your employer will use the information you give on the form to figure your withholding.

If you later fill out a new Form W-4, your employer can put it into effect as soon as possible. The deadline for putting it into effect is the start of the first payroll period ending 30 or more days after you turn it in.

No Form W-4. If you do not give your employer a completed Form W-4, your employer must withhold at the highest rate, as if you were single and claimed no withholding allowances.

Repaying withheld tax. If you find you are having too much tax withheld because you did not claim all the withholding allowances you are entitled to, you should give your employer a new Form W-4. Your employer cannot repay any of the tax previously withheld. Instead, claim the full amount withheld when you file your tax return.

However, if your employer has withheld more than the correct amount of tax for the Form W-4 you have in effect, you do not have to fill out a new Form W-4 to have your withholding lowered to the correct amount. Your employer can repay the amount that was withheld incorrectly. If you are not repaid, your Form W-2 will reflect the full amount actually withheld, which you would claim when you file your tax return.

Exemption From Withholding

If you claim exemption from withholding, your employer will not withhold federal income tax from your wages. The exemption applies only to income tax, not to social security, Medicare, or FUTA tax withholding.

You can claim exemption from withholding for 2015 only if both of the following situations apply.

- For 2014 you had a right to a refund of all federal income tax withheld because you had no tax liability.
- For 2015 you expect a refund of all federal income tax withheld because you expect to have no tax liability.

Students. If you are a student, you are not automatically exempt. See chapter 1 to find out if you must file a return. If you work only part time or only during the summer, you may qualify for exemption from withholding.

Age 65 or older or blind. If you are 65 or older or blind, use Worksheet 1-3 or 1-4 in chapter 1 of Publication 505, to help you decide if you qualify for exemption from withholding. Do not use either worksheet if you will itemize deductions, claim exemptions for dependents, or claim tax credits on your 2015 return. Instead, see *Itemizing deductions or claiming exemptions or credits* in chapter 1 of Publication 505.

Claiming exemption from withholding. To claim exemption, you must give your employer a Form W-4. Do not complete lines 5 and 6. Enter “Exempt” on line 7.

If you claim exemption, but later your situation changes so that you will have to pay income tax after all, you must file a new Form W-4 within 10 days after the change. If you claim exemption in 2015, but you expect to owe income tax for 2016, you must file a new Form W-4 by December 1, 2015.

Your claim of exempt status may be reviewed by the IRS.

An exemption is good for only 1 year. You must give your employer a new Form W-4 by February 15 each year to continue your exemption.

Supplemental Wages

Supplemental wages include bonuses, commissions, overtime pay, vacation allowances, certain sick pay, and expense allowances under certain plans. The payer can figure withholding on supplemental wages using the same method used for your regular wages. However, if these payments are identified separately from your regular wages, your employer or other payer of supplemental wages can withhold income tax from these wages at a flat rate.

Expense allowances. Reimbursements or other expense allowances paid by your employer under a nonaccountable plan are treated as supplemental wages.

Reimbursements or other expense allowances paid under an accountable plan that are more than your proven expenses are treated as paid under a nonaccountable plan if you do not return the excess payments within a reasonable period of time.

For more information about accountable and nonaccountable expense allowance plans, see *Reimbursements* in chapter 26.

Penalties

You may have to pay a penalty of $500 if both of the following apply.

- You make statements or claim withholding allowances on your Form W-4 that reduce the amount of tax withheld.
- You have no reasonable basis for those statements or allowances at the time you prepare your Form W-4.

There is also a criminal penalty for willfully supplying false or fraudulent information on your Form W-4 or for willfully failing to supply information that would increase the amount

withheld. The penalty upon conviction can be either a fine of up to $1,000 or imprisonment for up to 1 year, or both.

These penalties will apply if you deliberately and knowingly falsify your Form W-4 in an attempt to reduce or eliminate the proper withholding of taxes. A simple error or an honest mistake will not result in one of these penalties. For example, a person who has tried to figure the number of withholding allowances correctly, but claims seven when the proper number is six, will not be charged a W-4 penalty.

Tips

The tips you receive while working on your job are considered part of your pay. You must include your tips on your tax return on the same line as your regular pay. However, tax is not withheld directly from tip income, as it is from your regular pay. Nevertheless, your employer will take into account the tips you report when figuring how much to withhold from your regular pay.

See chapter 6 for information on reporting your tips to your employer. For more information on the withholding rules for tip income, see Publication 531, Reporting Tip Income.

How employer figures amount to withhold. The tips you report to your employer are counted as part of your income for the month you report them. Your employer can figure your withholding in either of two ways.

- By withholding at the regular rate on the sum of your pay plus your reported tips.
- By withholding at the regular rate on your pay plus a percentage of your reported tips.

Not enough pay to cover taxes. If your regular pay is not enough for your employer to withhold all the tax (including income tax and social security and Medicare taxes (or the equivalent railroad retirement tax)) due on your pay plus your tips, you can give your employer money to cover the shortage. See *Giving your employer money for taxes* in chapter 6.

Allocated tips. Your employer should not withhold income tax, Medicare tax, social security tax, or railroad retirement tax on any allocated tips. Withholding is based only on your pay plus your reported tips. Your employer should refund to you any incorrectly withheld tax. See *Allocated Tips* in chapter 6 for more information.

Taxable Fringe Benefits

The value of certain noncash fringe benefits you receive from your employer is considered part of your pay. Your employer generally must withhold income tax on these benefits from your regular pay.

For information on fringe benefits, see *Fringe Benefits* under *Employee Compensation* in chapter 5.

Although the value of your personal use of an employer-provided car, truck, or other highway motor vehicle is taxable, your employer can choose not to withhold income tax on that amount. Your employer must notify you if this choice is made.

For more information on withholding on taxable fringe benefits, see chapter 1 of Publication 505.

Sick Pay

Sick pay is a payment to you to replace your regular wages while you are temporarily absent from work due to sickness or personal injury. To qualify as sick pay, it must be paid under a plan to which your employer is a party.

If you receive sick pay from your employer or an agent of your employer, income tax must be withheld. An agent who does not pay regular wages to you may choose to withhold income tax at a flat rate.

However, if you receive sick pay from a third party who is not acting as an agent of your employer, income tax will be withheld only if you choose to have it withheld. See *Form W-4S*, later.

If you receive payments under a plan in which your employer does not participate (such as an accident or health plan where you paid all the premiums), the payments are not sick pay and usually are not taxable.

Union agreements. If you receive sick pay under a collective bargaining agreement between your union and your employer, the agreement may determine the amount of income tax withholding. See your union representative or your employer for more information.

Form W-4S. If you choose to have income tax withheld from sick pay paid by a third party, such as an insurance company, you must fill out Form W-4S. Its instructions contain a worksheet you can use to figure the amount you want withheld. They also explain restrictions that may apply.

Give the completed form to the payer of your sick pay. The payer must withhold according to your directions on the form.

Estimated tax. If you do not request withholding on Form W-4S, or if you do not have enough tax withheld, you may have to make estimated tax payments. If you do not pay enough tax, either through estimated tax or withholding, or a combination of both, you may have to pay a penalty. See *Underpayment Penalty for 2014* at the end of this chapter.

Pensions and Annuities

Income tax usually will be withheld from your pension or annuity distributions unless you choose not to have it withheld. This rule applies to distributions from:

- A traditional individual retirement arrangement (IRA);
- A life insurance company under an endowment, annuity, or life insurance contract;
- A pension, annuity, or profit-sharing plan;
- A stock bonus plan; and
- Any other plan that defers the time you receive compensation.

The amount withheld depends on whether you receive payments spread out over more than 1 year (periodic payments), within 1 year (nonperiodic payments), or as an eligible rollover distribution (ERD). Income tax withholding from an ERD is mandatory.

More information. For more information on taxation of annuities and distributions (including ERDs) from qualified retirement plans, see chapter 10. For information on IRAs, see chapter 17. For more information on withholding on pensions and annuities, including a discussion of Form W-4P, see *Pensions and Annuities* in chapter 1 of Publication 505.

Gambling Winnings

Income tax is withheld at a flat 25% rate from certain kinds of gambling winnings.

Gambling winnings of more than $5,000 from the following sources are subject to income tax withholding.

- Any sweepstakes; wagering pool, including payments made to winners of poker tournaments; or lottery.
- Any other wager, if the proceeds are at least 300 times the amount of the bet.

It does not matter whether your winnings are paid in cash, in property, or as an annuity. Winnings not paid in cash are taken into account at their fair market value.

Exception. Gambling winnings from bingo, keno, and slot machines generally are not subject to income tax withholding. However, you may need to provide the payer with a social security number to avoid withholding. See *Backup withholding on gambling winnings* in chapter 1 of Publication 505. If you receive gambling winnings not subject to withholding, you may need to pay estimated tax. See *Estimated Tax for 2015*, later.

If you do not pay enough tax, either through withholding or estimated tax, or a combination of both, you may have to pay a penalty. See *Underpayment Penalty for 2014* at the end of this chapter.

Form W-2G. If a payer withholds income tax from your gambling winnings, you should receive a Form W-2G, Certain Gambling Winnings, showing the amount you won and the amount withheld. Report the tax withheld on line 64 of Form 1040.

Unemployment Compensation

You can choose to have income tax withheld from unemployment compensation. To make this choice, fill out Form W-4V (or a similar form provided by the payer) and give it to the payer.

All unemployment compensation is taxable. So, if you do not have income tax withheld, you may have to pay estimated tax. See *Estimated Tax for 2015*, later.

If you do not pay enough tax, either through withholding or estimated tax, or a combination of both, you may have to pay a penalty. For information, see *Underpayment Penalty for 2014* at the end of this chapter.

Federal Payments

You can choose to have income tax withheld from certain federal payments you receive. These payments are:

1. Social security benefits,
2. Tier 1 railroad retirement benefits,
3. Commodity credit corporation loans you choose to include in your gross income,
4. Payments under the Agricultural Act of 1949 (7 U.S.C. 1421 et. seq.), as amended, or title II of the Disaster Assistance Act of 1988, that are treated as insurance proceeds and that you receive because:
    a. Your crops were destroyed or damaged by drought, flood, or any other natural disaster, or
    b. You were unable to plant crops because of a natural disaster described in (a), and
5. Any other payment under Federal law as determined by the Secretary.

To make this choice, fill out Form W-4V (or a similar form provided by the payer) and give it to the payer.

If you do not choose to have income tax withheld, you may have to pay estimated tax. See *Estimated Tax for 2015*, later.

If you do not pay enough tax, either through withholding or estimated tax, or a combination of both, you may have to pay a penalty. For information, see *Underpayment Penalty for 2014* at the end of this chapter.

More information. For more information about the tax treatment of social security and railroad retirement benefits, see chapter 11. Get Publication 225, Farmer's Tax Guide, for information about the tax treatment of commodity credit corporation loans or crop disaster payments.

Backup Withholding

Banks or other businesses that pay you certain kinds of income must file an information return (Form 1099) with the IRS. The information return shows how much you were paid during the year. It also includes your name and taxpayer identification number (TIN). TINs are explained in chapter 1 under *Social Security Number (SSN)*.

These payments generally are not subject to withholding. However, “backup” withholding is required in certain situations. Backup withholding can apply to most kinds of payments that are reported on Form 1099.

The payer must withhold at a flat 28% rate in the following situations.

- You do not give the payer your TIN in the required manner.
- The IRS notifies the payer that the TIN you gave is incorrect.
- You are required, but fail, to certify that you are not subject to backup withholding.
- The IRS notifies the payer to start withholding on interest or dividends because you have underreported interest or dividends on your income tax return. The IRS will do this only after it has mailed you four notices over at least a 210-day period.

See *Backup Withholding* in chapter 1 of Publication 505 for more information.

Penalties. There are civil and criminal penalties for giving false information to avoid backup withholding. The civil penalty is $500. The criminal penalty, upon conviction, is a fine of up to $1,000 or imprisonment of up to 1 year, or both.

Estimated Tax for 2015

Estimated tax is the method used to pay tax on income that is not subject to withholding. This includes income from self-employment, interest, dividends, alimony, rent, gains from the sale of assets, prizes, and awards. You also may have to pay estimated tax if the amount of income tax being withheld from your salary, pension, or other income is not enough.

Estimated tax is used to pay both income tax and self-employment tax, as well as other taxes and amounts reported on your tax return. If you do not pay enough tax, either through withholding or estimated tax, or a combination of both, you may have to pay a penalty. If you do not pay enough by the due date of each payment period (see *When To Pay Estimated Tax*, later), you may be charged a penalty even if you are due a refund when you file your tax return. For information on when the penalty applies, see *Underpayment Penalty for 2014* at the end of this chapter.

Who Does Not Have To Pay Estimated Tax

If you receive salaries or wages, you can avoid having to pay estimated tax by asking your employer to take more tax out of your earnings. To do this, give a new Form W-4 to your employer. See chapter 1 of Publication 505.

Estimated tax not required. You do not have to pay estimated tax for 2015 if you meet all three of the following conditions.

- You had no tax liability for 2014.
- You were a U.S. citizen or resident alien for the whole year.
- Your 2014 tax year covered a 12-month period.

You had no tax liability for 2014 if your total tax was zero or you did not have to file an income tax return. For the definition of "total tax" for 2014, see Publication 505, chapter 2.

Who Must Pay Estimated Tax

If you owe additional tax for 2014, you may have to pay estimated tax for 2015.

You can use the following general rule as a guide during the year to see if you will have enough withholding, or if you should increase your withholding or make estimated tax payments.

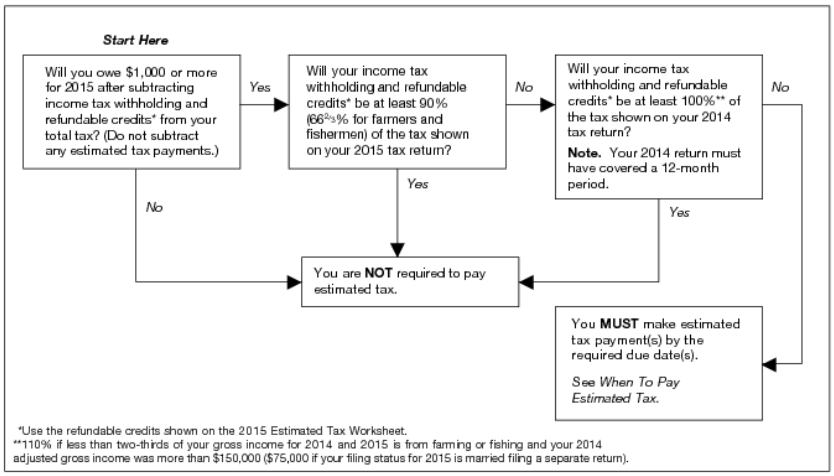
General rule. In most cases, you must pay estimated tax for 2015 if both of the following apply.

1. You expect to owe at least $1,000 in tax for 2015, after subtracting your withholding and refundable credits.
2. You expect your withholding plus your refundable credits to be less than the smaller of:
   a. 90% of the tax to be shown on your 2015 tax return, or
   b. 100% of the tax shown on your 2014 tax return (but see *Special rules for farmers, fishermen, and higher income taxpayers*, later). Your 2014 tax return must cover all 12 months.

If the result from using the general rule above suggests that you will not have enough withholding, complete the 2015 Estimated Tax Worksheet in Publication 505 for a more accurate calculation.

Special rules for farmers, fishermen, and higher income taxpayers. If at least two-thirds of your gross income for tax year 2014 or 2015 is from farming or fishing, substitute $66^2/_3$% for 90% in (2a) under the General rule, earlier. If your AGI for 2014 was more than $150,000 ($75,000 if your filing status for 2015 is married filing a separate return), substitute 110% for 100% in (2b) under General rule, earlier. See Figure 4-A and Publication 505, chapter 2 for more information.

Figure 4-A. Do You Have To Pay Estimated Tax?



Please click here for the text description of the image.

Figure 4-A Do You Have To Pay Estimated Tax?

Aliens. Resident and nonresident aliens also may have to pay estimated tax. Resident aliens should follow the rules in this chapter unless noted otherwise. Nonresident aliens should get Form 1040-ES (NR), U.S. Estimated Tax for Nonresident Alien Individuals.

You are an alien if you are not a citizen or national of the United States. You are a resident alien if you either have a green card or meet the substantial presence test. For more information about the substantial presence test, see Publication 519, U.S. Tax Guide for Aliens.

Married taxpayers. If you qualify to make joint estimated tax payments, apply the rules discussed here to your joint estimated income.

You and your spouse can make joint estimated tax payments even if you are not living together.

However, you and your spouse cannot make joint estimated tax payments if:

- You are legally separated under a decree of divorce or separate maintenance,
- You and your spouse have different tax years, or
- Either spouse is a nonresident alien (unless that spouse elected to be treated as a resident alien for tax purposes (see chapter 1 of Publication 519)).

If you do not qualify to make joint estimated tax payments, apply these rules to your separate estimated income. Making joint or separate estimated tax payments will not affect your choice of filing a joint tax return or separate returns for 2015.

2014 separate returns and 2015 joint return. If you plan to file a joint return with your spouse for 2015, but you filed separate returns for 2014, your 2014 tax is the total of the tax shown on your separate returns. You filed a separate return if you filed as single, head of household, or married filing separately.

2014 joint return and 2015 separate returns. If you plan to file a separate return for 2015 but you filed a joint return for 2014, your 2014 tax is your share of the tax on the joint return. You file a separate return if you file as single, head of household, or married filing separately.

To figure your share of the tax on the joint return, first figure the tax both you and your spouse would have paid had you filed separate returns for 2014 using the same filing status as for 2015. Then multiply the tax on the joint return by the following fraction.

The tax you would have paid had you filed a separate return
The total tax you and your spouse would have paid had you filed separate returns

Example.

Joe and Heather filed a joint return for 2014 showing taxable income of $48,500 and a tax of $6,371. Of the $48,500 taxable income, $40,100 was Joe's and the rest was Heather's. For 2015, they plan to file married filing separately. Joe figures his share of the tax on the 2014 joint return as follows.

Tax on $40,100 based on a separate return	$5,888
Tax on $8,400 based on a separate return	843
Total	$6,731
Joe's percentage of total ($5,888 ÷ $6,731)	87.5%
Joe's share of tax on joint return ($6,371 × 87.5%)	$5,575

How To Figure Estimated Tax

To figure your estimated tax, you must figure your expected adjusted gross income (AGI), taxable income, taxes, deductions, and credits for the year.

When figuring your 2015 estimated tax, it may be helpful to use your income, deductions, and credits for 2014 as a starting point. Use your 2014 federal tax return as a guide. You can use Form 1040-ES and Publication 505 to figure your estimated tax. Nonresident aliens use Form 1040-ES (NR) and Publication 505 to figure estimated tax (see chapter 8 of Publication 519 for more information).

You must make adjustments both for changes in your own situation and for recent changes in the tax law. For a discussion of these changes, visit IRS.gov.

For more complete information on how to figure your estimated tax for 2015, see chapter 2 of Publication 505.

When To Pay Estimated Tax

For estimated tax purposes, the tax year is divided into four payment periods. Each period has a specific payment due date. If you do not pay enough tax by the due date of each payment period, you may be charged a penalty even if you are due a refund when you file your income tax return. The payment periods and due dates for estimated tax payments are shown next.

For the period:	**Due date:***
Jan. 1 – March 31	April 15
April 1 – May 31	June 15
June 1 – August 31	Sept. 15
Sept. 1– Dec. 31	Jan. 15, next year

*See *Saturday, Sunday, holiday rule* and *January payment*.

Saturday, Sunday, holiday rule. If the due date for an estimated tax payment falls on a Saturday, Sunday, or legal holiday, the payment will be on time if you make it on the next day that is not a Saturday, Sunday, or legal holiday.

January payment. If you file your 2015 Form 1040 or Form 1040A by February 1, 2016, and pay the rest of the tax you owe, you do not need to make the payment due on January 15, 2016.

Fiscal year taxpayers. If your tax year does not start on January 1, see the Form 1040-ES instructions for your payment due dates.

When To Start

You do not have to make estimated tax payments until you have income on which you will owe income tax. If you have income subject to estimated tax during the first payment period, you must make your first payment by the due date for the first payment period. You can pay all your estimated tax at that time, or you can pay it in installments. If you choose to pay in installments, make your first payment by the due date for the first payment period. Make your remaining installment payments by the due dates for the later periods.

No income subject to estimated tax during first period. If you do not have income subject to estimated tax until a later payment period, you must make your first payment by the due date for that period. You can pay your entire estimated tax by the due date for that period or you can pay it in installments by the due date for that period and the due dates for the remaining periods. The following chart shows when to make installment payments.

If you first have income on which you must pay estimated tax:	Make a payment by:*	Make later installments by:*
Before April 1	April 15	June 15 Sept. 15 Jan. 15 next year
April 1–May 31	June 15	Sept. 15 Jan. 15 next year
June 1–Aug. 31	Sept. 15	Jan. 15 next year
After Aug. 31	Jan. 15 next year	(None)

*See *Saturday, Sunday, holiday rule* and *January payment* .

How much to pay to avoid a penalty. To determine how much you should pay by each payment due date, see *How To Figure Each Payment* , next.

How To Figure Each Payment

You should pay enough estimated tax by the due date of each payment period to avoid a penalty for that period. You can figure your required payment for each period by using either the regular installment method or the annualized income installment method. These methods are described in chapter 2 of Publication 505. If you do not pay enough during each payment period, you may be charged a penalty even if you are due a refund when you file your tax return.

If the earlier discussion of *No income subject to estimated tax during first period* or the later discussion of *Change in estimated tax* applies to you, you may benefit from reading *Annualized Income Installment Method* in chapter 2 of Publication 505 for information on how to avoid a penalty.

Underpayment penalty. Under the regular installment method, if your estimated tax payment for any period is less than one-fourth of your estimated tax, you may be charged a penalty for underpayment of estimated tax for that period when you file your tax return. Under the annualized income installment method, your estimated tax payments vary with your income, but the amount required must be paid each period. See chapter 4 of Publication 505 for more information.

Change in estimated tax. After you make an estimated tax payment, changes in your income, adjustments, deductions, credits, or exemptions may make it necessary for you to refigure your estimated tax. Pay the unpaid balance of your amended estimated tax by the next payment due date after the change or in installments by that date and the due dates for the remaining payment periods.

Estimated Tax Payments Not Required

You do not have to pay estimated tax if your withholding in each payment period is at least as much as:

- One-fourth of your required annual payment, or
- Your required annualized income installment for that period.

You also do not have to pay estimated tax if you will pay enough through withholding to keep the amount you owe with your return under $1,000.

How To Pay Estimated Tax

There are several ways to pay estimated tax.

- Credit an overpayment on your 2014 return to your 2015 estimated tax.
- Pay by direct transfer from your bank account, or pay by debit or credit card using a pay-by-phone system or the Internet.
- Send in your payment (check or money order) with a payment voucher from Form 1040-ES.

Credit an Overpayment

If you show an overpayment of tax after completing your Form 1040 or Form 1040A for 2014, you can apply part or all of it to your estimated tax for 2015. On line 77 of Form 1040, or line 49 of Form 1040A, enter the amount you want credited to your estimated tax rather than refunded. Take the amount you have credited into account when figuring your estimated tax payments.

You cannot have any of the amount you credited to your estimated tax refunded to you until you file your tax return for the following year. You also cannot use that overpayment in any other way.

Pay Online

Paying online is convenient and secure and helps make sure we get your payments on time.

You can pay online with a direct transfer from your bank account using Direct Pay, the Electronic Federal Tax Payment System, or by debit or credit card.

To pay your taxes online or for more information, go to www.irs.gov/Payments.

Pay by Phone

Paying by phone is another safe and secure method of paying electronically. Use one of the following methods.

- Direct transfer from your bank account.
- Debit or credit card.

To pay by direct transfer from your bank account, call 1-800-555-4477 (English), 1-800-244-4829 (Español). People who are deaf, hard of hearing, or have a speech disability and who have access to TTY/TDD can call 1-800-733-4829.

To pay using a debit or credit card, you can call one of the following service providers. There is a convenience fee charged by these providers that varies by provider, card type, and payment amount.

WorldPay US, Inc.
1-844-PAY-TAX-8™ (1-844-729-8298)
www.payUSAtax.com

Official Payments Corporation
1-888-UPAY-TAX™ (1-888-872-9829)
www.officialpayments.com

Link2Gov Corporation
1-888-PAY-1040™ (1-888-729-1040)
www.PAY1040.com

For the latest details on how to pay by phone, go to www.irs.gov/Payments.

Pay by Check or Money Order Using the Estimated Tax Payment Voucher

Each payment of estimated tax by check or money order must be accompanied by a payment voucher from Form 1040-ES.

During 2014, if you:

- made at least one estimated tax payment but not by electronic means,
- did not use software or a paid preparer to prepare or file your return,

then you should receive a copy of the 2015 Form 1040-ES/V.

The enclosed payment vouchers will be preprinted with your name, address, and social security number. Using the preprinted vouchers will speed processing, reduce the chance of error, and help save processing costs.

Use the window envelopes that came with your Form 1040-ES package. If you use your own envelopes, make sure you mail your payment vouchers to the address shown in the Form 1040-ES instructions for the place where you live.

Note.

These criteria can change without notice. If you do not receive a Form 1040-ES/V package and you are required to make an estimated tax payment, you should go to www.irs.gov/form1040es and print a copy of Form 1040-ES which includes four blank payment vouchers. Complete one of these and make your payment timely to avoid penalties for paying late.

Do not use the address shown in the Form 1040 or Form 1040A instructions for your estimated tax payments.

If you did not pay estimated tax last year, you can order Form 1040-ES from the IRS (see inside back cover of this publication) or download it from IRS.gov. Follow the instructions to make sure you use the vouchers correctly.

Joint estimated tax payments. If you file a joint return and are making joint estimated tax payments, enter the names and social security numbers on the payment voucher in the same order as they will appear on the joint return.

Change of address. You must notify the IRS if you are making estimated tax payments and you changed your address during the year. Complete Form 8822, Change of Address, and mail it to the address shown in the instructions for that form.

Credit for Withholding and Estimated Tax for 2014

When you file your 2014 income tax return, take credit for all the income tax and excess social security or railroad retirement tax withheld from your salary, wages, pensions, etc. Also take credit for the estimated tax you paid for 2014. These credits are subtracted from your total tax. Because these credits are refundable, you should file a return and claim these credits, even if you do not owe tax.

Two or more employers. If you had two or more employers in 2014 and were paid wages of more than $117,000, too much social security or tier 1 railroad retirement tax may have been withheld from your pay. You may be able to claim the excess as a credit against your income tax when you file your return. See *Credit for Excess Social Security Tax or Railroad Retirement Tax Withheld* in chapter 38.

Withholding

If you had income tax withheld during 2014, you should be sent a statement by February 2, 2015, showing your income and the tax withheld. Depending on the source of your income, you should receive:

- Form W-2, Wage and Tax Statement,
- Form W-2G, Certain Gambling Winnings, or
- A form in the 1099 series.

Forms W-2 and W-2G. If you file a paper return, always file Form W-2 with your income tax return. File Form W-2G with your return only if it shows any federal income tax withheld from your winnings.

You should get at least two copies of each form. If you file a paper return, attach one copy to the front of your federal income tax return. Keep one copy for your records. You also should receive copies to file with your state and local returns.

Form W-2

Your employer is required to provide or send Form W-2 to you no later than February 2, 2015. You should receive a separate Form W-2 from each employer you worked for.

If you stopped working before the end of 2014, your employer could have given you your Form W-2 at any time after you stopped working. However, your employer must provide or send it to you by February 2, 2015.

If you ask for the form, your employer must send it to you within 30 days after receiving your written request or within 30 days after your final wage payment, whichever is later.

If you have not received your Form W-2 by February 2, you should ask your employer for it. If you do not receive it by February 16, call the IRS.

Form W-2 shows your total pay and other compensation and the income tax, social security tax, and Medicare tax that was withheld during the year. Include the federal income tax withheld (as shown in box 2 of Form W-2) on:

- Line 64 if you file Form 1040,
- Line 40 if you file Form 1040A, or
- Line 7 if you file Form 1040EZ.

In addition, Form W-2 is used to report any taxable sick pay you received and any income tax withheld from your sick pay.

Form W-2G

If you had gambling winnings in 2014, the payer may have withheld income tax. If tax was withheld, the payer will give you a Form W-2G showing the amount you won and the amount of tax withheld.

Report the amounts you won on line 21 of Form 1040. Take credit for the tax withheld on line 64 of Form 1040. If you had gambling winnings, you must use Form 1040; you cannot use Form 1040A or Form 1040EZ.

The 1099 Series

Most forms in the 1099 series are not filed with your return. These forms should be furnished to you by February 2, 2015 (or, for Forms 1099-B, 1099-S, and certain Forms 1099-MISC, by February 16, 2015). Unless instructed to file any of these forms with your return, keep them for your records. There are several different forms in this series, including:

- Form 1099-B, Proceeds From Broker and Barter Exchange Transactions;
- Form 1099-DIV, Dividends and Distributions;
- Form 1099-G, Certain Government Payments;
- Form 1099-INT, Interest Income;
- Form 1099-K, Payment Card and Third Party Network Transactions;
- Form 1099-MISC, Miscellaneous Income;
- Form 1099-OID, Original Issue Discount;
- Form 1099-PATR, Taxable Distributions Received from Cooperatives;
- Form 1099-Q, Payments From Qualified Education Programs;
- Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.;
- Form 1099-S, Proceeds From Real Estate Transactions;
- Form RRB-1099, Payments by the Railroad Retirement Board.

If you received the types of income reported on some forms in the 1099 series, you may not be able to use Form 1040A or Form 1040EZ. See the instructions to these forms for details.

Form 1099-R. Attach Form 1099-R to your paper return if box 4 shows federal income tax withheld. Include the amount withheld in the total on line 64 of Form 1040 or line 40 of Form 1040A. You cannot use Form 1040EZ if you received payments reported on Form 1099-R.

Backup withholding. If you were subject to backup withholding on income you received during 2014, include the amount withheld, as shown on your Form 1099, in the total on line 64 of Form 1040, line 40 of Form 1040A, or line 7 of Form 1040EZ.

Form Not Correct

If you receive a form with incorrect information on it, you should ask the payer for a corrected form. Call the telephone number or write to the address given for the payer on the form. The corrected Form W-2G or Form 1099 you receive will have an “X” in the “CORRECTED” box at the top of the form. A special form, Form W-2c, Corrected Wage and Tax Statement, is used to correct a Form W-2.

In certain situations, you will receive two forms in place of the original incorrect form. This will happen when your taxpayer identification number is wrong or missing, your name and address are wrong, or you received the wrong type of form (for example, a Form 1099-DIV instead of a Form 1099-INT). One new form you receive will be the same incorrect form or have the same incorrect information, but all money amounts will be zero. This form will have an “X” in the “CORRECTED” box at the top of the form. The second new form should have all the correct information, prepared as though it is the original (the “CORRECTED” box will not be checked).

Form Received After Filing

If you file your return and you later receive a form for income that you did not include on your return, you should report the income and take credit for any income tax withheld by filing Form 1040X, Amended U.S. Individual Income Tax Return.

Separate Returns

If you are married but file a separate return, you can take credit only for the tax withheld from your own income. Do not include any amount withheld from your spouse's income. However, different rules may apply if you live in a community property state.

Community property states are listed in chapter 2. For more information on these rules, and some exceptions, see Publication 555, Community Property.

Fiscal Years

If you file your tax return on the basis of a fiscal year (a 12-month period ending on the last day of any month except December), you must follow special rules to determine your credit for federal income tax withholding. For a discussion of how to take credit for withholding on a fiscal year return, see *Fiscal Years (FY)* in chapter 3 of Publication 505.

Estimated Tax

Take credit for all your estimated tax payments for 2014 on line 65 of Form 1040 or line 41 of Form 1040A. Include any overpayment from 2013 that you had credited to your 2014 estimated tax. You must use Form 1040 or Form 1040A if you paid estimated tax. You cannot use Form 1040EZ.

Name changed. If you changed your name, and you made estimated tax payments using your old name, attach a brief statement to the front of your paper tax return indicating:

- When you made the payments,
- The amount of each payment,
- Your name when you made the payments, and
- Your social security number.

The statement should cover payments you made jointly with your spouse as well as any you made separately.

Be sure to report the change to the Social Security Administration. This prevents delays in processing your return and issuing any refunds.

Separate Returns

If you and your spouse made separate estimated tax payments for 2014 and you file separate returns, you can take credit only for your own payments.

If you made joint estimated tax payments, you must decide how to divide the payments between your returns. One of you can claim all of the estimated tax paid and the other none, or you can divide it in any other way you agree on. If you cannot agree, you must divide the payments in proportion to each spouse's individual tax as shown on your separate returns for 2014.

Divorced Taxpayers

If you made joint estimated tax payments for 2014, and you were divorced during the year, either you or your former spouse can claim all of the joint payments, or you each can claim part of them. If you cannot agree on how to divide the payments, you must divide them in proportion to each spouse's individual tax as shown on your separate returns for 2014.

If you claim any of the joint payments on your tax return, enter your former spouse's social security number (SSN) in the space provided on the front of Form 1040 or Form 1040A. If you divorced and remarried in 2014, enter your present spouse's SSN in that space and write your former spouse's SSN, followed by "DIV," to the left of Form 1040, line 65, or Form 1040A, line 41.

Underpayment Penalty for 2014

If you did not pay enough tax, either through withholding or by making timely estimated tax payments, you will have an underpayment of estimated tax and you may have to pay a penalty.

Generally, you will not have to pay a penalty for 2014 if any of the following apply.

- The total of your withholding and estimated tax payments was at least as much as your 2013 tax (or 110% of your 2013 tax if your AGI was more than $150,000, $75,000 if your 2014 filing status is married filing separately) and you paid all required estimated tax payments on time.
- The tax balance due on your 2014 return is no more than 10% of your total 2014 tax, and you paid all required estimated tax payments on time.
- Your total 2014 tax minus your withholding and refundable credits is less than $1,000.
- You did not have a tax liability for 2013 and your 2013 tax year was 12 months, or
- You did not have any withholding taxes and your current year tax less any household employment taxes is less than $1,000.

See Publication 505, chapter 4, for a definition of "total tax" for 2013 and 2014.

Farmers and fishermen. Special rules apply if you are a farmer or fisherman. See *Farmers and Fishermen* in chapter 4 of Publication 505 for more information.

IRS can figure the penalty for you. If you think you owe the penalty but you do not want to figure it yourself when you file your tax return, you may not have to. Generally, the IRS will figure the penalty for you and send you a bill. However, if you think you are able to lower or eliminate your penalty, you must complete Form 2210 or Form 2210-F and attach it to your paper return. See chapter 4 of Publication 505.

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6. Tip Income

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Introduction

This chapter is for employees who receive tips.

All tips you receive are income and are subject to federal income tax. You must include in gross income all tips you receive directly, charged tips paid to you by your employer, and your share of any tips you receive under a tip-splitting or tip-pooling arrangement.

The value of noncash tips, such as tickets, passes, or other items of value, is also income and subject to tax.

Reporting your tip income correctly is not difficult. You must do three things.

1. Keep a daily tip record.
2. Report tips to your employer.
3. Report all your tips on your income tax return.

This chapter will explain these three things and show you what to do on your tax return if you have not done the first two. This chapter will also show you how to treat allocated tips.

For information on special tip programs and agreements, see Publication 531.

Useful Items - You may want to see:

Publication

- 531 Reporting Tip Income
- 1244 Employee's Daily Record of Tips and Report to Employer

Form (and Instructions)

- 4137 Social Security and Medicare Tax on Unreported Tip Income
- 4070 Employee's Report of Tips to Employer

Keeping a Daily Tip Record

Why keep a daily tip record. You must keep a daily tip record so you can:

- Report your tips accurately to your employer,
- Report your tips accurately on your tax return, and
- Prove your tip income if your return is ever questioned.

How to keep a daily tip record. There are two ways to keep a daily tip record. You can either:

- Write information about your tips in a tip diary, or
- Keep copies of documents that show your tips, such as restaurant bills and credit or debit card charge slips.

You should keep your daily tip record with your tax or other personal records. You must keep your records for as long as they are important for administration of the federal tax law. For information on how long to keep records, see *How long to keep records* in chapter 1.

If you keep a tip diary, you can use Form 4070A, Employee's Daily Record of Tips. To get Form 4070A, ask your employer for Publication 1244 or go online to www.irs.gov/pub/irs-pdf/p1244.pdf for a copy of Publication 1244. Publication 1244 includes a 1-year supply of Form 4070A. Each day, write in the information asked for on the form.

In addition to the information asked for on Form 4070A, you also need to keep a record of the date and value of any noncash tips you get, such as tickets, passes, or other items of value. Although you do not report these tips to your employer, you must report them on your tax return.

If you do not use Form 4070A, start your records by writing your name, your employer's name, and the name of the business (if it is different from your employer's name). Then, each workday, write the date and the following information.

- Cash tips you get directly from customers or from other employees.
- Tips from credit and debit card charge customers that your employer pays you.

- The value of any noncash tips you get, such as tickets, passes, or other items of value.
- The amount of tips you paid out to other employees through tip pools or tip splitting, or other arrangements, and the names of the employees to whom you paid the tips.

Electronic tip record. You can use an electronic system provided by your employer to record your daily tips. If you do, you must receive and keep a paper copy of this record.

Service charges. Do not write in your tip diary the amount of any service charge that your employer adds to a customer's bill and then pays to you and treats as wages. This is part of your wages, not a tip. See examples below.

Example 1.

Good Food Restaurant adds an 18% charge to the bill for parties of 6 or more customers. Jane's bill for food and beverages for her party of 8 includes an amount on the tip line equal to 18% of the charges for food and beverages, and the total includes this amount. Because Jane did not have an unrestricted right to determine the amount on the "tip line," the 18% charge is considered a service charge. Do not include the 18% charge in your tip diary. Service charges that are paid to you are considered wages, not tips.

Example 2.

Good Food Restaurant also includes sample calculations of tip amounts at the bottom of its bills for food and beverages provided to customers. David's bill includes a blank "tip line," with sample tip calculations of 15%, 18%, and 20% of his charges for food and beverages at the bottom of the bill beneath the signature line. Because David is free to enter any amount on the "tip line" or leave it blank, any amount he includes is considered a tip. Be sure to include this amount in your tip diary.

Reporting Tips to Your Employer

Why report tips to your employer. You must report tips to your employer so that:

- Your employer can withhold federal income tax and social security, Medicare, Additional Medicare, or railroad retirement taxes;
- Your employer can report the correct amount of your earnings to the Social Security Administration or Railroad Retirement Board (which affects your benefits when you retire or if you become disabled, or your family's benefits if you die) ; and
- You can avoid the penalty for not reporting tips to your employer (explained later).

What tips to report. Report to your employer only cash, check, and debit and credit card tips you receive.

If your total tips for any 1 month from any one job are less than $20, do not report the tips for that month to that employer.

If you participate in a tip-splitting or tip-pooling arrangement, report only the tips you receive and retain. Do not report to your employer any portion of the tips you receive that you pass on to other employees. However, you must report tips you receive from other employees.

Do not report the value of any noncash tips, such as tickets or passes, to your employer. You do not pay social security, Medicare, Additional Medicare or railroad retirement taxes on these tips.

How to report. If your employer does not give you any other way to report tips, you can use Form 4070. Fill in the information asked for on the form, sign and date the form, and give it to your employer. To get a 1-year supply of the form, ask your employer for Publication 1244 or go online to www.irs.gov/pub/irs-pdf/p1244.pdf for a copy of Publication 1244.

If you do not use Form 4070, give your employer a statement with the following information.

- Your name, address, and social security number.
- Your employer's name, address, and business name (if it is different from your employer's name).
- The month (or the dates of any shorter period) in which you received tips.
- The total tips required to be reported for that period.

You must sign and date the statement. Be sure to keep a copy with your tax or other personal records.

Your employer may require you to report your tips more than once a month. However, the statement cannot cover a period of more than 1 calendar month.

Electronic tip statement. Your employer can have you furnish your tip statements electronically.

When to report. Give your report for each month to your employer by the 10th of the next month. If the 10th falls on a Saturday, Sunday, or legal holiday, give your employer the report by the next day that is not a Saturday, Sunday, or legal holiday.

Example.

You must report your tips received in September 2015 by October 13, 2015.

Final report. If your employment ends during the month, you can report your tips when your employment ends.

Penalty for not reporting tips. If you do not report tips to your employer as required, you may be subject to a penalty equal to 50% of the social security, Medicare, and Additional Medicare taxes or railroad retirement tax you owe on the unreported tips. For information about these taxes, see *Reporting social security, Medicare, Additional Medicare, or railroad retirement taxes on tips not reported to your employer* under *Reporting Tips on Your Tax Return*, later. The penalty amount is in addition to the taxes you owe.

You can avoid this penalty if you can show reasonable cause for not reporting the tips to your employer. To do so, attach a statement to your return explaining why you did not report them.

Giving your employer money for taxes. Your regular pay may not be enough for your employer to withhold all the taxes you owe on your regular pay plus your reported tips. If this happens, you can give your employer money until the close of the calendar year to pay the rest of the taxes.

If you do not give your employer enough money, your employer will apply your regular pay and any money you give in the following order.

1. All taxes on your regular pay.
2. Social security, Medicare, and Additional Medicare taxes or railroad retirement taxes on your reported tips.
3. Federal, state, and local income taxes on your reported tips.

Any taxes that remain unpaid can be collected by your employer from your next paycheck. If withholding taxes remain uncollected at the end of the year, you may be subject to a penalty for underpayment of estimated taxes. See Publication 505, Tax Withholding and Estimated Tax, for more information.

Uncollected taxes. You must report on your tax return any social security and Medicare taxes or railroad retirement tax that remained uncollected at the end of 2014. These uncollected taxes will be shown on your 2014 Form W-2. See Reporting uncollected social security, Medicare, or railroad retirement taxes on tips reported to your employer under Reporting Tips on Your Tax Return, later.

Reporting Tips on Your Tax Return

How to report tips. Report your tips with your wages on Form 1040, line 7; Form 1040A, line 7; or Form 1040EZ, line 1.

What tips to report. You must report all tips you received in 2014 on your tax return, including both cash tips and noncash tips. Any tips you reported to your employer for 2014 are included in the wages shown on your Form W-2, box 1. Add to the amount in box 1 only the tips you did not report to your employer.

If you received $20 or more in cash and charge tips in a month and did not report all of those tips to your employer, see Reporting social security, Medicare, Additional Medicare, or railroad retirement taxes on tips not reported to your employer, later.

If you did not keep a daily tip record as required and an amount is shown on your Form W-2, box 8, see Allocated Tips, later.

If you kept a daily tip record and reported tips to your employer as required under the rules explained earlier, add the following tips to the amount on your Form W-2, box 1.

- Cash and charge tips you received that totaled less than $20 for any month.
- The value of noncash tips, such as tickets, passes, or other items of value.

Example.

Ben Smith began working at the Blue Ocean Restaurant (his only employer in 2014) on June 30 and received $10,000 in wages during the year. Ben kept a daily tip record showing that his tips for June were $18 and his tips for the rest of the year totaled $7,000. He was not required to report his June tips to his employer, but he reported all of the rest of his tips to his employer as required.

Ben's Form W-2 from Blue Ocean Restaurant shows $17,000 ($10,000 wages plus $7,000 reported tips) in box 1. He adds the $18 unreported tips to that amount and reports $17,018 as wages on his tax return.

Reporting social security, Medicare, Additional Medicare, or railroad retirement taxes on tips not reported to your employer. If you received $20 or more in cash and charge tips in a month from any one job and did not report all of those tips to your employer, you must report the social security, Medicare, and Additional Medicare taxes on the unreported tips as additional tax on your return. To report these taxes, you must file Form 1040, Form 1040NR, 1040-PR, or 1040-SS (not Form 1040EZ or Form 1040A) even if you would not otherwise have to file.

Use Form 4137 to figure social security and Medicare taxes and/or Form 8959 to figure Additional Medicare Tax. Enter the taxes on your return as instructed, and attach the completed Form 4137 and/or Form 8959 to your return.

If you are subject to the Railroad Retirement Tax Act, you cannot use Form 4137 to pay railroad retirement tax on unreported tips. To get railroad retirement credit, you must report tips to your employer.

Reporting uncollected social security, Medicare, or railroad retirement taxes on tips reported to your employer. You may have uncollected taxes if your regular pay was not enough for your employer to withhold all the taxes you owe and you did not give your employer enough money to pay the rest of the taxes. For more information, see *Giving your employer money for taxes* , under *Reporting Tips to Your Employer,* earlier.

If your employer could not collect all the social security and Medicare taxes or railroad retirement tax you owe on tips reported for 2014, the uncollected taxes will be shown on your Form W-2, box 12 (codes A and B). You must report these amounts as additional tax on your return. Unlike the uncollected portion of the regular (1.45%) Medicare tax, the uncollected Additional Medicare Tax is not reported on your Form W-2.

To report these uncollected taxes, you must file Form 1040NR, 1040-PR, or 1040-SS (not Form 1040EZ or Form 1040A) even if you would not otherwise have to file. You must report these taxes on Form 1040, line 62, or the corresponding line of Form 1040NR, 1040-PR, or 1040-SS (not Form 1040EZ or Form 1040A). See the instructions for these forms for exact reporting information.

Allocated Tips

If your employer allocated tips to you, they are shown separately on your Form W-2, box 8. They are not included in box 1 with your wages and reported tips. If box 8 is blank, this discussion does not apply to you.

What are allocated tips. These are tips that your employer assigned to you in addition to the tips you reported to your employer for the year. Your employer will have done this only if:

- You worked in an establishment (restaurant, cocktail lounge, or similar business) that must allocate tips to employees, and
- The tips you reported to your employer were less than your share of 8% of food and drink sales.

No income, social security, Medicare, Additional Medicare, or railroad retirement taxes are withheld on allocated tips.

How were your allocated tips figured. The tips allocated to you are your share of an amount figured by subtracting the reported tips of all employees from 8% (or an approved lower rate) of food and drink sales (other than carryout sales and sales with a service charge of 10% or more). Your share of that amount was figured using either a method provided by an employer-employee agreement or a method provided by IRS regulations based on employees' sales or hours worked. For information about the exact allocation method used, ask your employer.

Must you report your allocated tips on your tax return. You must report all tips you received in 2014 on your tax return, including both cash tips and noncash tips. Any tips you reported to your employer for 2014 are included in the wages shown on your Form W-2, box 1. Add to the amount in box 1 only the tips you did not report to your employer. This should include any allocated tips shown on your Form(s) W-2, box 8, unless you have adequate records to show that you received less tips in the year than the allocated figures.

See *What tips to report* under *Reporting Tips on Your Tax Return*, and *Keeping a Daily Tip Record* , earlier.

How to report allocated tips. Report the amounts shown on your Form(s) W-2 , box 1 (wages and tips) and box 8 (allocated tips), as wages on Form 1040, line 7; Form 1040NR, line 8; or Form 1040NR-EZ, line 3. You cannot file Form 1040A or Form 1040EZ when you have allocated tips.

Because social security, Medicare, and Additional Medicare taxes were not withheld from the allocated tips, you must report those taxes as additional tax on your return. Complete Form 4137, and include the allocated tips on line 1 of the form. See *Reporting social security, Medicare, Additional Medicare, or railroad retirement taxes on tips not reported to your employer* under *Reporting Tips on Your Tax Return*, earlier.

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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)

Department of the Treasury
Internal Revenue Service

Section references are to the Internal Revenue Code unless otherwise noted.

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Future Developments

For the latest information about developments related to Forms W-2 and W-3 and their instructions, such as legislation enacted after they were published, go to *www.irs.gov/w2*.

What's New

Medicaid waiver payments. Notice 2014-7 provides that certain Medicaid waiver payments are excludable from income for federal income tax purposes. See Notice 2014-7, 2014-4 I.R.B. 445 available at *www.irs.gov/irb/2014-4_IRB/ar06.html*. Also, see *www.irs.gov/Individuals/Certain-Medicaid-Waiver-Payments-May-Be-Excludable-From-Income* for questions and answers on the notice.

Rejected wage reports from the Social Security Administration (SSA). Effective January 2015, the SSA will reject Form W-2 electronic and paper wage reports under the following conditions:

- Medicare wages and tips are less than the sum of social security wages and social security tips,
- Social security tax is greater than zero; social security wages and social security tips are equal to zero, and
- Medicare tax is greater than zero; Medicare wages and tips are equal to zero.

Additionally, Forms W-2 and W-2c electronic and paper wage reports for household employers will be rejected under the following conditions:

- The sum of social security wages and social security tips is less than the minimum yearly earnings subject to social security and Medicare tax withholding for a household employee, and
- The Medicare wages and tips are less than the minimum yearly earnings subject to social security and Medicare tax withholding for a household employee.

If the above conditions occur in an electronic wage report, the SSA will notify the submitter by email or postal mail to correct the report and resubmit it to the SSA. If the above conditions occur in a paper wage report, the SSA will notify the employer by email or postal mail to correct the report and resubmit it to the SSA.

Household employers, see Pub. 926, Household Employer's Tax Guide.

Third-party sick pay recap reporting. For wages paid in 2014, Form 8922, Third-Party Sick Pay Recap, will be used to report total third-party sick pay wages paid to employees when liability for the employer and employee portions of Federal Insurance Contributions Act (FICA) taxes on the wages is split between the employer for whom services are normally rendered and the third-party payer. Form 8922 replaces the Third-Party Sick Pay Recap Form W-2 and Third-Party Sick Pay Recap Form W-3. See *Third-party sick pay*, later.

Virtual currency. Notice 2014-21 describes the treatment of virtual currency for federal tax purposes. Bitcoin is an example of virtual currency. The fair market value of virtual currency (such as Bitcoin) paid as wages is subject to federal income tax withholding, Federal Insurance Contributions Act (FICA) tax, and Federal Unemployment Tax Act (FUTA) tax and must be reported on Form W-2, Wage and Tax Statement. See *Virtual currency*, later.

Reminders

TIP ***Get it done faster... E-file your Forms W-2 and W-2c with the SSA.***
See E-filing.

Limit on health flexible spending arrangement (FSA). For 2015, a cafeteria plan may not allow an employee to request salary reduction contributions for a health FSA in excess of $2,550. The salary reduction contribution limitation of $2,550 does not include any amount (up to $500) carried over from a previous year. For more information, see *Health flexible spending arrangement (FSA).*

If you do not file corrections and you do not meet any of the exceptions to the penalty, the penalty is $100 per information return. The maximum penalty is $1,500,000 per year.

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 also must 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 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.

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 $250 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 February 1, 2016, 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 cannot reasonably be expected to prevent or hinder the payee from timely receiving correct information and reporting it on his or her 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,
- 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* in *Failure to file correct information returns by the due date*, for additional exceptions to the penalty for failure to file 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 $250 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. 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 Copy D, and a copy of Form W-3, with your records for 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, or in 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.

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 22, 2015, through January 9, 2016, and the wages for that period were paid on January 10, 2016, include those wages on the 2016 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. Also, see the *Caution* for Copy A in *How to get forms and publications.*

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 box 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, he or she 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 *www.socialsecurity.gov/employer*. If you have questions about using these services, call 1-800-772-6270 (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 his or her name from that shown on the card, the employee should call the SSA at 1-800-772-1213.

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 Publication 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, beginning with the number "9" with either a "7" or "8" as the fourth digit, and is formatted like an SSN (for example, 9NN-7N-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 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, 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. 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 "John 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.

Third-party sick pay. For wages paid in 2014, third-party payers of sick pay (and in certain cases,

employers) will use Form 8922, Third-Party Sick Pay Recap, to report total third-party sick pay wages paid to employees when liability for the employer and employee portions of FICA taxes on the wages is split between the employer for whom services are normally rendered and the third-party payer. Form 8922 replaces the Third-Party Sick Pay Recap Form W-2 and Third-Party Sick Pay Recap Form W-3, which were used to report third-party sick pay recaps for wages paid in 2013 and prior years. Forms 8922 are filed with the Internal Revenue Service (IRS), rather than SSA. For 2014, Form 8922 must be filed with IRS by March 2, 2015. Form 8922 cannot be filed electronically. Beginning with wages paid in 2014, Third-Party Sick Pay Recaps will not be filed with the SSA. The requirements to report third-party sick pay paid to individual employees on Forms W-2 are otherwise unchanged. See Publication 15-A and the instructions for Form 8922 for more information.

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 an NQDC plan because of section 409A. See *Nonqualified deferred compensation plans.*

21. Payments made to former employees while they are on active duty in the Armed Forces or other uniformed services.

22. 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 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 $118,500 (2015 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.

TIP *Wages reported in box 3 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 www.irs.gov/irb/2004-50_IRB/ar07.html.*
- *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 2015, the amount should not exceed $7,347 ($118,500 × 6.2%). Include only taxes withheld (or paid by you for the employee) for 2015 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 $140,000 in wages. Enter in box 3 (social security wages) 118500.00 but enter in box 5 (Medicare wages and tips) 140000.00. There is no limit on the amount reported in box 5. If the amount of wages paid was $118,500 or less, the amounts entered in boxes 3 and 5 would 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 2015 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 and enter "Additional Medicare Tax" in the search box.

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 $118,500 (the maximum social security wage base for 2015). Report all tips in box 1 along with wages and other compensation. Include any tips reported in box 7 in box 5 also.

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 boxes 1, 3, 5, or 7.

Box 9. Do not enter an amount in box 9.

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 $5,000 in boxes 1, 3, and 5. For more information, see Pub. 15-B.

TIP *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 of Form W-2 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 www.irs.gov/irb/2005-23_IRB/ar11.html.

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).

CAUTION *If you made distributions and also are reporting any deferrals in box 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 not generally 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.

TIP *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 EE. 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.

TIP ***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.* See also the detailed instructions next for each code.

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 he or she 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.

TIP *If any elective deferrals, salary reduction amounts, or nonelective contributions under a section 457(b) plan during the year are makeup 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 2013 and $1,250 for 2014 under USERRA under a section 401(k) plan are reported in box 12 as follows:*

D 13 2250.00, D 14 1250.00. A 2015 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 *Box 12—Codes* for Code AA, Code BB, and Code EE for reporting designated Roth contributions.
- Required employee contributions.
- Employer matching contributions.

Code D—Elective deferrals under 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 2015, Employee A (age 45) elected to defer $18,300 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 2015 limit for elective deferrals and designated Roth contributions is $18,000, the employee's total elective deferral amount of $18,300 is reported in box 12 with code D (D 18300.00). The designated Roth contribution is reported in box 12 with code AA (AA 1000.00). The employer must separately report the actual amounts of $18,300 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 salary deferrals and excess designated 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 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 his or her Form 1040.

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

IN THE SUPREME COURT OF THE STATE OF NEVADA

MDC RESTAURANTS, LLC, A NEVADA LIMITED LIABILITY COMPANY; LAGUNA RESTAURANTS LLC, A NEVADA LIMITED LIABLITY COMPANY; AND INKA LLC, A NEVADA LIMITED LIABILITY COMPANY,

Petitioners,

vs.

THE EIGHTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA IN AND FOR THE COUNTY OF CLARK AND THE HONORABLE TIMOTHY WILLIAMS, DISTRICT JUDGE,

Respondents,

and

PAULETTE DIAZ, AN INDIVIDUAL; LAWANDA GAIL WILBANKS, AN INDIVIDUAL; and CHARITY FITZLAFF, AN INDIVIDUAL, ALL ON BEHALF OF THEMSELVES AND ALL SIMILARLY-SITUATED INDIVIDUALS,

Real Parties in Interest.

Case No. 68523

Eighth Judicial District Court Case No. A-14-701633-C

Electronically Filed
Jan 21 2016 11:55 a.m.
Tracie K. Lindeman
Clerk of Supreme Court

District Court Dept. No. 16
Honorable Timothy C. Williams

Docket 68845 Document 2016-02141

COLLINS KWAYISI, AN INDIVIDUAL, Appellant, vs. WENDY'S OF LAS VEGAS, INC., AN OHIO CORPORATION; AND CEDAR ENTERPRISES, INC., AN OHIO CORPORAITON, Respondents.	**Case No. 68754** United States District Court, District of Nevada, Case No. 2:14-cv-00729-GMN-VCF Honorable Gloria M. Navarro
THE STATE OF NEVADA, OFFICE OF THE LABOR COMMISSIONER; AND SHANNON CHAMBERS, NEVADA LABOR COMMISSIONER IN HER OFFICIAL CAPACITY Appellants, vs. CODY C. HANCOCK, AN INDIVIDUAL, Respondent.	**Case No. 68770** First Judicial District Court Case No. 14 OC 00080 1B District Court Dept. No. 2 Honorable James E. Wilson, Jr.
ERIN HANKS, Appellant, vs. BRIAD RESTAURANT GROUP, L.L.C., A NEW JERSEY LIMITED LIABILITY COMPANY, Respondent.	**Case No. 68845** United States District Court, District of Nevada, Case No. 2:14-cv-00786-GMN-PAL Honorable Gloria M. Navarro

APPENDIX TO BRIEF OF AMICUS CURIAE IN SUPPORT OF APPELLANTS THE STATE OF NEVADA, OFFICE OF THE LABOR

COMMISSIONER, AND SHANNON CHAMBERS, NEVADA LABOR COMMISSIONER IN HER OFFICIAL CAPACITY, APPEAL OF THE DISTRICT COURT ORDER INVALIDATING N.A.C. 608.104(2)

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CERTIFICATE OF SERVICE

I am a resident of the State of Nevada, over the age of eighteen years, and not a party to the within action. My business address is 3960 Howard Hughes Parkway, Suite 300, Las Vegas, Nevada 89109-0920. On December 22, 2015, the following document was served on the following:

APPENDIX TO BRIEF OF AMICUS CURIAE IN SUPPORT OF APPELLANTS THE STATE OF NEVADA, OFFICE OF THE LABOR COMMISSIONER, AND SHANNON CHAMBERS, NEVADA LABOR COMMISSIONER IN HER OFFICIAL CAPACITY, APPEAL OF THE DISTRICT COURT ORDER INVALIDATING N.A.C. 608.104(2)

☒ By **CM/ECF Filing** – Pursuant to N.E.F.R. the above-referenced document was electronically filed and served upon the parties listed below through the Court's Case Management and Electronic Case Filing (CM/ECF) system.

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I declare under penalty of perjury that the foregoing is true and correct. Executed on December 22, 2015, at Las Vegas, Nevada.

/s/ Debra Perkins

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