

2015 Year end processing package

Explanation of commonly used year-end adjustments

Please call your local branch office for help if you do not see the type of adjustment you need. To better assist you, we will need to know the adjustment's impact on W-2 form boxes and the taxes to be withheld. It may be helpful to consult with your accountant.

Employer healthcare cost (erhcst)

Impacts W-2 box 12, code DD

Description: Used for W-2 reporting of the aggregate (employee and employer) cost of applicable employer-sponsored health insurance coverage. The amount reported with code DD is not taxable, and used to provide employees with useful and comparable consumer information on the cost of their health care coverage. This reporting is mandated if filing 250+ W-2 forms in 2015, or was mandated in the prior calendar year.

Fringe benefit (FRING2)

Impacts W-2 boxes 01, 03, 05, 14

Description: Fringe benefits included in taxable wages for federal and state, but only FICA and Medicare are withheld. These types of fringes **must be submitted with other paid wages** to allow for tax deduction or must be submitted as an adjustment to allow FICA/Medicare to automatically catch up on current or next live check. Usually reported as LIVE (included in net) earnings. Typical fringes are: cars provided by employer, flights provided by employer, free/discounted commercial flights, discounts on property or services, country club membership or social memberships, tickets for entertainment/sporting events, vacation expenses paid by the employer. To withhold ALL TAXES, use code 51 (FRING1).

Taxable auto allowance (AUTO\$1)

Impacts W-2 boxes 01, 03, 05, 14

Description: Taxable auto allowance including either 100% value of the employee's use of the vehicle or only the value of the personal use of the vehicle, depending on the employer's accounting policy. Taxed same as FRING1, subject to all taxes.

Taxable group-term life over \$50,000 (INSPRM)

Impacts W2 boxes 01, 03, 05, 12 (c)

Description: Taxable group-term life insurance premiums paid by the employer on coverage in excess of \$50,000 per year. Fully taxable, however, FICA, Medicare, FUTA and SUI will only withhold when processed. No federal, state or local taxes will withhold; employee resolves any tax due as part of their personal tax return.

Taxable group-term life over \$50,000 (INSPR2)

Impacts W2 Boxes 01, 03, 05, 12 (c)

Description: Same as earnings code 59, fully taxable and WITHHOLDS FEDERAL TAX.

Sub S health insurance for shareholders (SUBSHP)

Impacts W2 boxes 01, 14

Description: S Corporation health insurance premiums paid by the corporation for owners with at least 2% ownership in an S Corp where an employee "non-discriminatory" medical plan is offered. FICA, Medicare and FUTA exempt. Taxable for federal, state and local.

For more info, visit: Sage.com
or contact us at 866-996-7243