W-2 Processing

Last updated on Wednesday December 07, 2022

W2 Forms

Before attempting to print W-2's, the following information should be completed and/or verified.

- Employee names, addresses and social security numbers.
- Federal Tax Id (System Parameter Maintenance) and State Tax Id (City/State Tax Maintenance)
- All employee wage, tax, and deduction adjustments (e.g. Third party sick pay) should be entered for the W2 year
- For Box 13 - Statutory employees must have the **Statutory Employee** box checked in Employee Maintenance (Classification tab), employees with a retirement plan must have the **Retirement Plan** box checked in Employee Maintenance (Pension tab), employees with 3rd party sick pay must have check adjustments that are flagged as *3rd Party Sick*
- Using the IRS "General Instructions for Forms W-2 and W-3", identify any deduction/earning codes and Other Tax Codes that need to be included in one of the boxes on the W-2 forms.
- Employers who filed more than 250 W2's in the prior year are required to report the cost of employer sponsored group healthcare coverage on W2's in box 12DD. Special instructions to include this information on the W2's appears at the end of this manual. Employers should refer to the IRS guidance on this reporting requirement before proceeding with the creation of W2's.
- If any qualified sick or family leave wages were paid to employees under the Families First Coronavirus Response Act, you can update the **W2 Info** box on the earning codes used to pay those wages in order to generate a special reporting statement for applicable employees. See the "Additional Box 14 Statements" section of this manual for guidance.

EGT representatives are not qualified to explain what information needs to be reported and in what box it should be shown. Please refer to IRS instructions for guidance.

Clients may optionally use Nelco Solutions to E-file Federal/State W2 forms and set up recipient mailing and online retrieval of W2 forms. For those who have used the Nelco portal in the past for ACA filings, the process should be familiar. An instruction section has been added to this manual for the OPTIONAL Nelco W2 process.

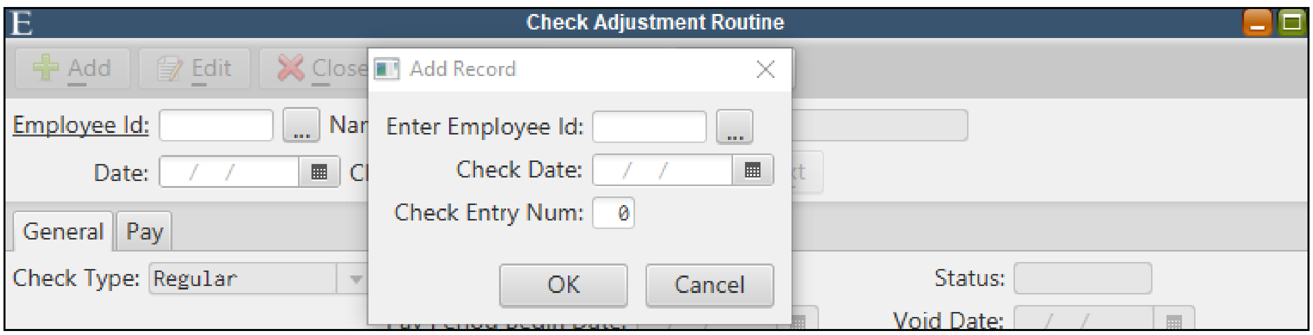
Wage and Tax Adjustments (if applicable)

Any employee wage and tax adjustments should be entered for the W2 year prior to generating the W2 file. These adjustments can be entered using the Check Adjustment Routine.

Select *Personnel>Payroll>Check>Check Adjustment Routine*.

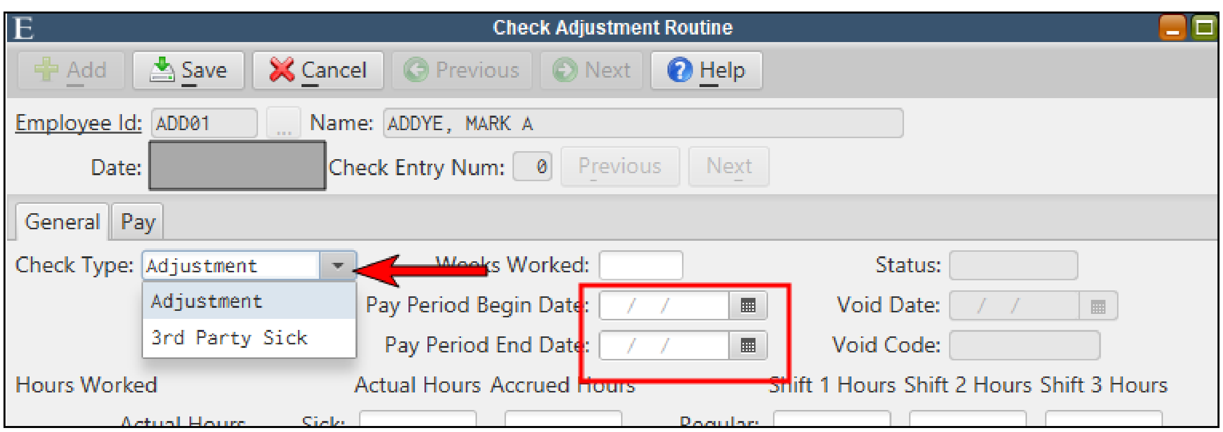
Click **Add** and enter an Employee Id. Enter the **Check Date** and any unique **Check Entry Num**.

The Check Date MUST be in the W2 year in order for the adjustment to affect the W2 totals.

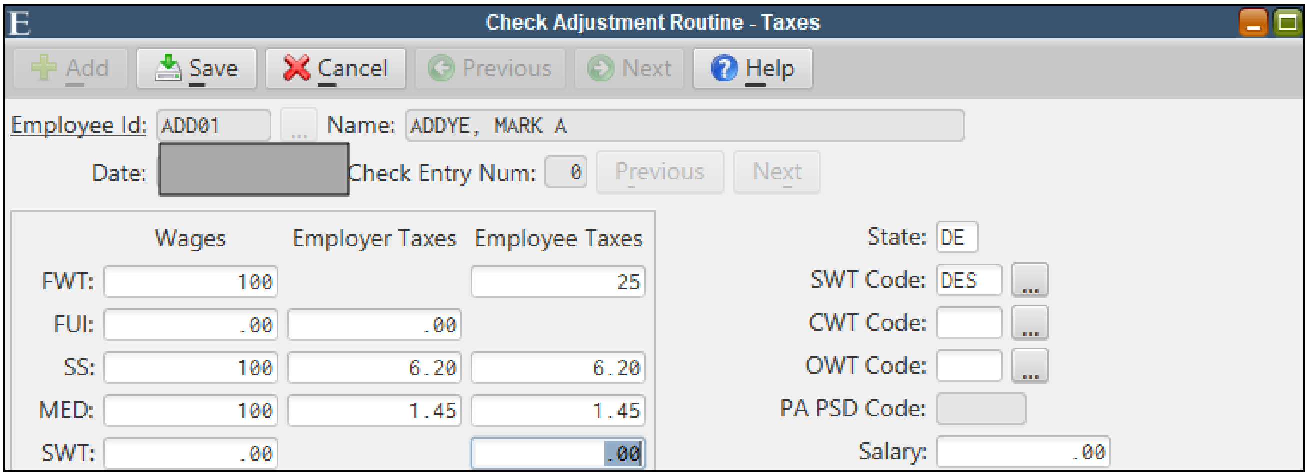


Check Type - Select *Adjustment* or *3rd Party Sick* if 3rd party sick pay is being reported on this adjustment.

The 3rd Party Sick type will ensure the Sick Pay box is checked on the employee's W2.

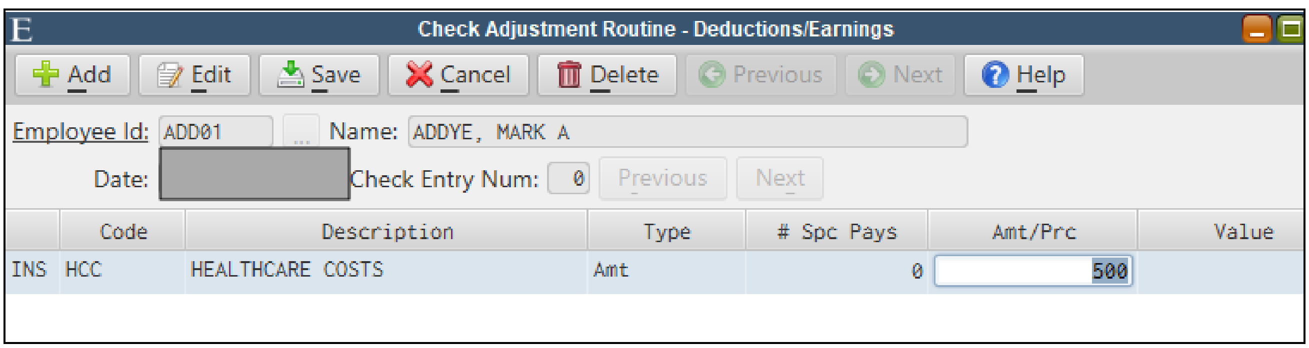


Complete the **Pay Period End Date** and **Begin Date** fields. No other information is required on this screen. Click Save and then click **Next**.



Use the *Taxes* screen to enter any wage or employee tax withholding adjustments. Note that the **Empr Taxes** column is for employer tax liabilities and the **Empe Taxes** column is for employee taxes. Positive numbers will increase wages and taxes and negative numbers will reduce them.

Click **Edit** to make changes, **Save** and then **Next**.



Use the *Deductions/Earnings* screen to adjust YTD deduction/earning code totals.

Click **Edit** to make changes, **Save** and then **Next** to return to the main screen.

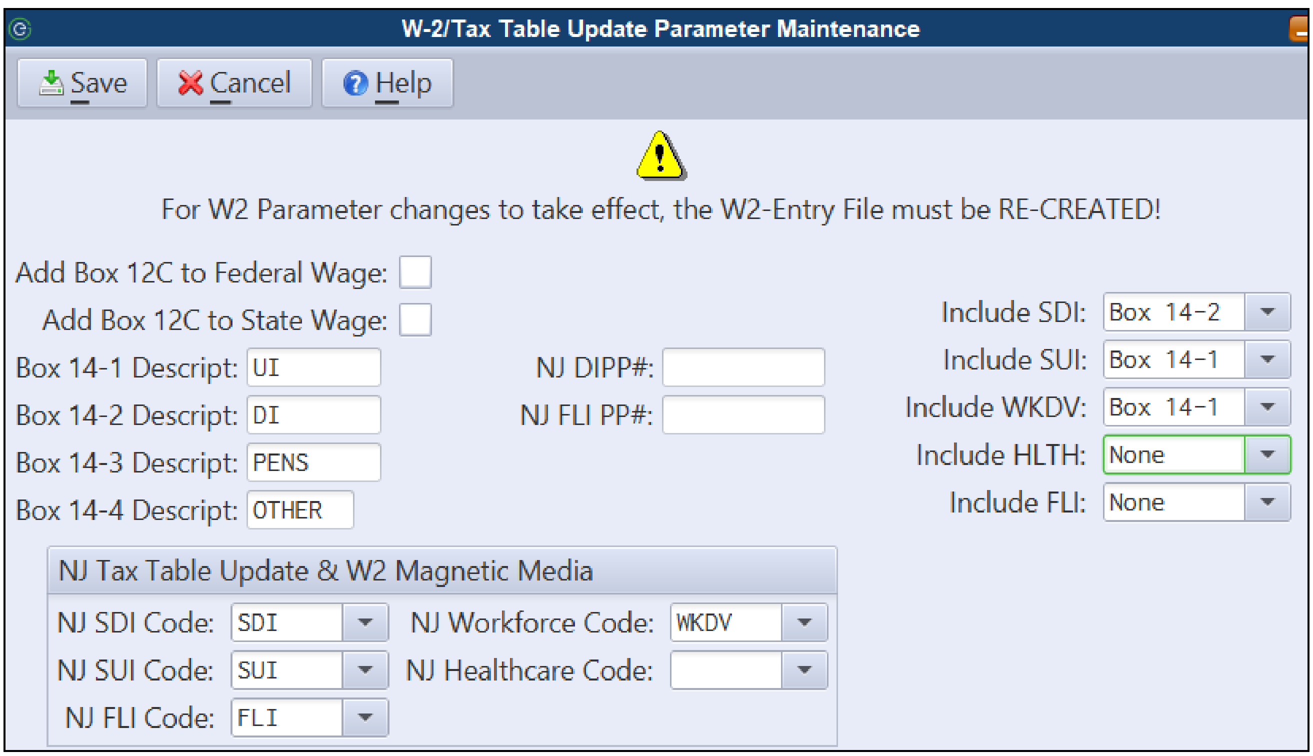
W-2 Reporting Set-up

Before printing W2's, the user must instruct the system where to report particular deductions/earnings and taxes on the W2 form. These tasks will be completed in W2/Tax Table Update Parameter Maintenance and Deduction/Earning Code Maintenance.

W2/Tax Table Update Parameter Maintenance

The W2 Parameter Maintenance will be used to prepare box 14 information on the W2 Forms. It will also provide an option to increase Federal and State wages by the amount reported in Box 12C (if applicable).

Select *Personnel>Payroll>End of Qtr/Year>W2/Tax Table Update Parameter Maintenance*.



Click **Edit**.

For users who are reporting GTL (Imputed Income) earnings in Box 12C: Check the **Add Box 12C to Federal Wage** <u>only if</u> the Imputed Income earning code is set to exempt Federal taxes. Check the **Add**

Box 12C to State Wage only if the Imputed Income earning code is set to exempt State taxes. If the MCSJ Payroll system is used to calculate these earnings, the earning code is typically IMP. The Tax Exemptions tab of Deduction/Earning Code Maintenance will show if the IMP code is exempt from federal or state taxes. Checking these boxes will increase the employee's Federal and State wages by the amount in Box 12C.

If any withholding or earning information is being reported in box 14, provide the appropriate descriptions next to the **Box 14-(1-4) Descript** boxes. For any taxes that will be reported, use the drop-down menus on the right side of the screen to select the appropriate box.

NJ DIPP# - Used for reporting a private disability insurance plan number.

NJ FLI PP# - NJ Family Leave Insurance Private Plan Number.

Only NJ clients should use the "NJ Tax Table Update & W2 Magnetic Media drop-down menus to identify the codes used to withhold applicable NJ unemployment, disability and family leave taxes.

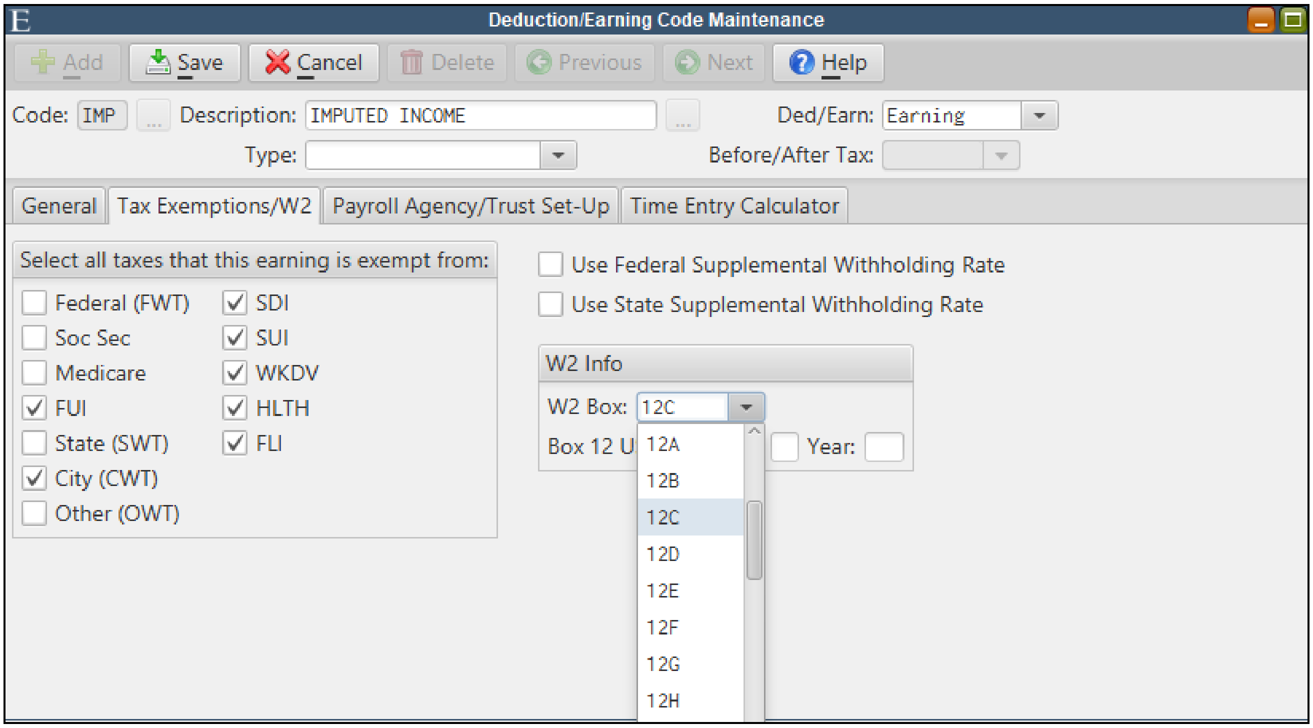
Click **Save**.

Deduction/Earning Code Maintenance

If a deduction/earning needs to be reported on the W2 form, the user must assign the appropriate W2 box number in Deduction/Earning Code Maintenance.

Select *Personnel>Maintenances>Deduction/Earning Code Maintenance*.

Click **Edit** and select the *Tax Exemptions/W2* tab.



W2 Box - Select the appropriate box in which to report deduction/earning code totals.

Box 12 USERRA Code and Year - This is not common. For an explanation of these fields, refer to the IRS “Instructions for Forms W2 and W3”. If these fields are utilized, do not select anything in the W2 Box or the deduction code totals will print twice in box 12.

Click **Save**.

W2 Box Listing

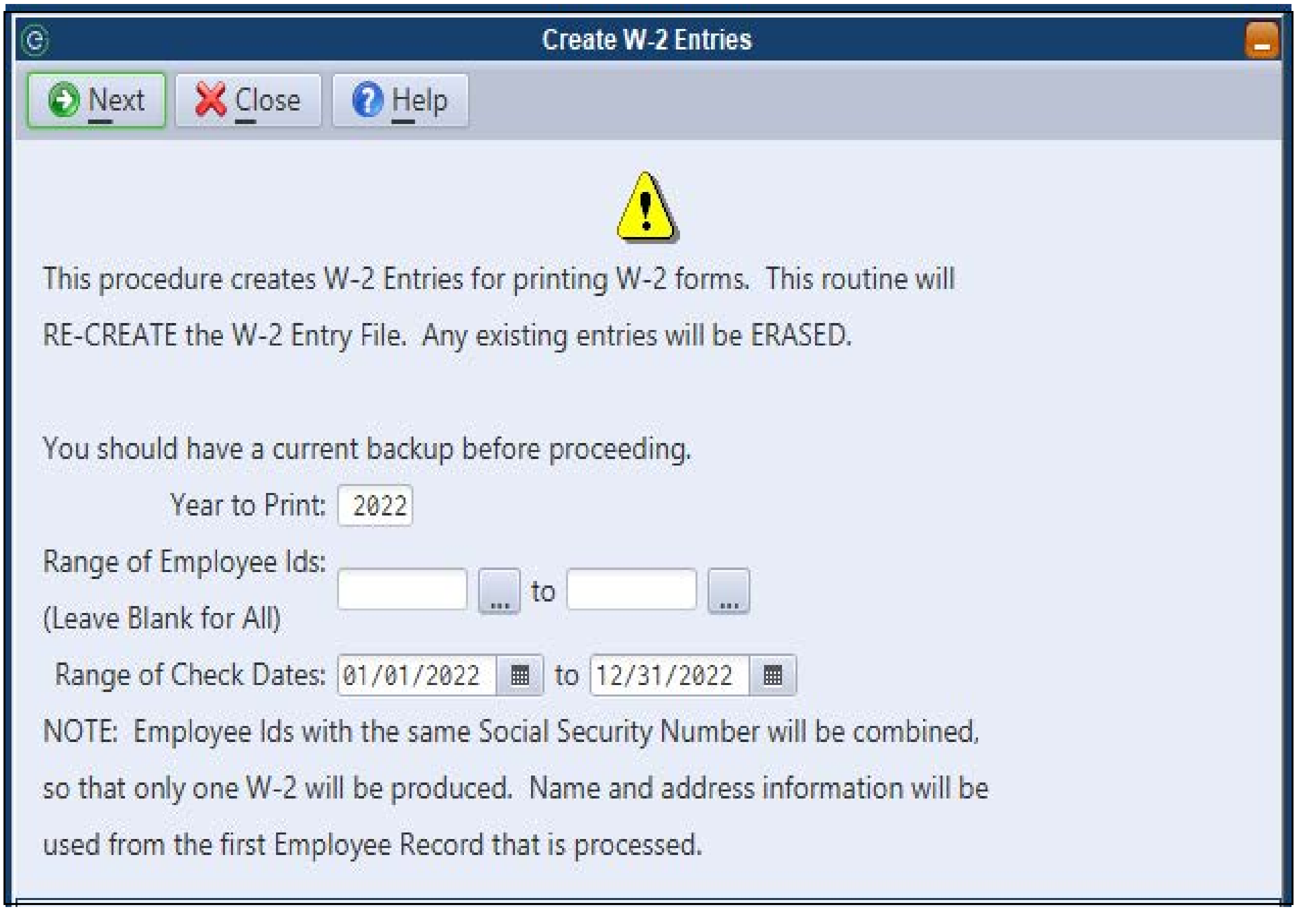
After completing the W2 Parameters and Deduction/Earning Code Maintenance, run the W2 Box Listing to verify the codes are being reported under the correct W2 boxes. This listing provides the IRS W2 Instruction descriptions for each box and lists the MCSJ deduction/earning codes being reported.

Select *Personnel>Payroll>End of Qtr/Year>W-2 Box Listing*.

Creating W-2’s Entries

Running this routine will RE-CREATE the W-2 Entry File and rewrite any existing entries.

Select *Personnel>Payroll>End of Qtr/Year>Create W-2 Entries*.



Year to Print - Enter the correct tax year.

Range of Check Dates - The correct dates will default based on the year selected. W-2's will include all non-voided checks that were issued during this date range.

If there are any employees who have more than two state and/or city taxes, a warning report will appear. A manual W-2 will have to be prepared for these employees.

Employee Ids with the same Social Security Number will be combined, so that only one W-2 will be produced. Name and address information will be used from the first Employee Record that is processed. An option is available to print two W2's for the same employee if the Medicare Qualified Government Employee flag is not the same on both Employee Maintenance records.

W-2 Verification Listing

The W-2 Verification Listing MUST be printed prior to printing W-2's or generating Magnetic Media. Running this report will detect any errors in the Employee Maintenances, Tax Tables, or Parameter File. These errors MUST be corrected before attempting to print the W-2's.

> *If errors do exist, they must first be corrected. The Create W-2 Entries routine must then be run again to regenerate the W-2 entry file.*

Select *Personnel>Payroll>End of Qtr/Year>W-2 Verification Listing*.

> *Always leave the Range of Employee Ids blank.*

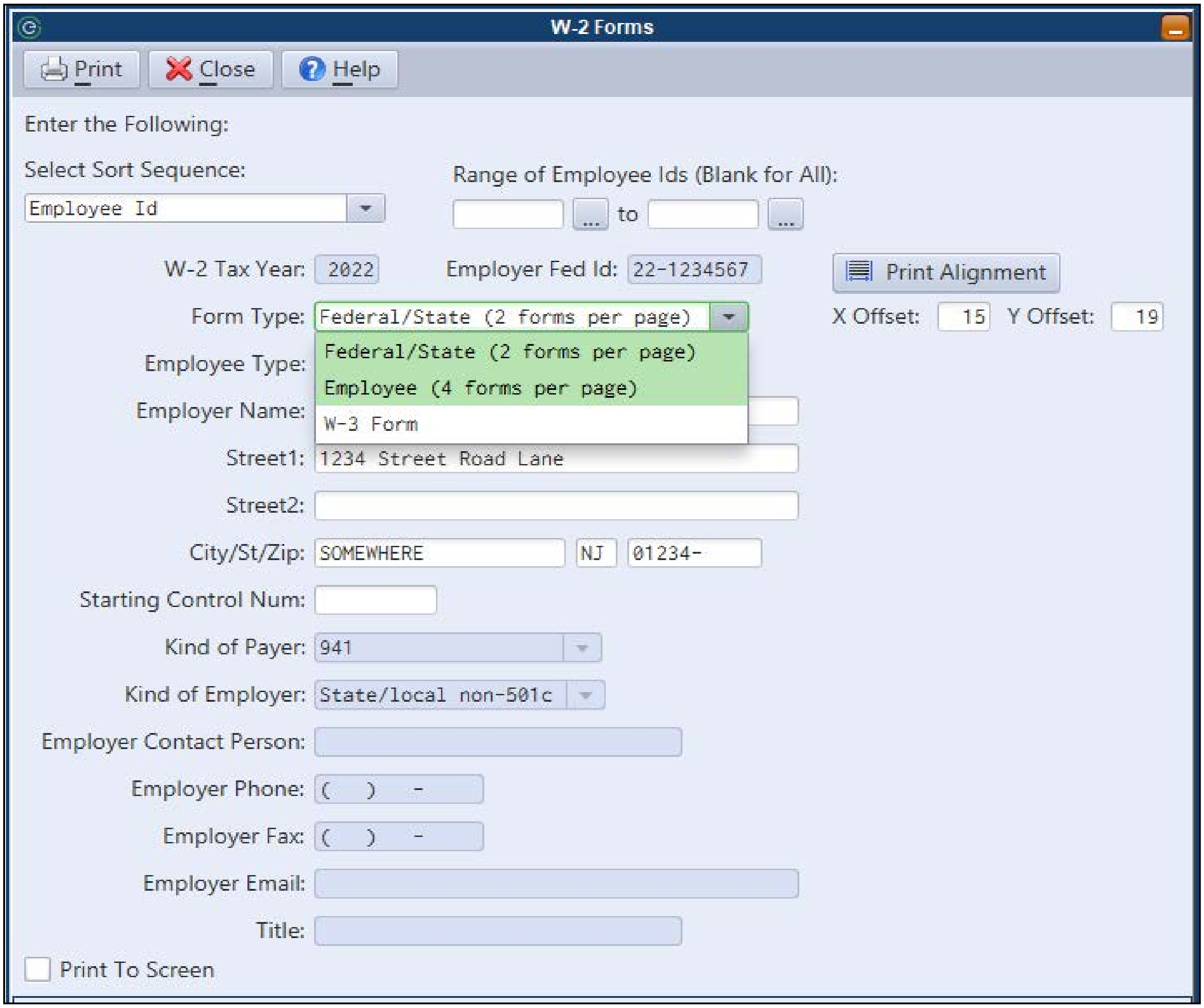
Print W-2 Register

The Payroll W-2 Register Report may be printed to show what W-2 entries have been created and all of the information that will print on the W-2's. A totals page will appear at the end of the register. Please review carefully. These totals should be verified with the MCSJ EOY Report totals and your 941 filings.

Select *Personnel>Payroll>End of Qtr/Year>W-2 Register*.

Print W-2 Forms

Select *Personnel>Payroll>End of Qtr/Year>W-2 Forms*.



Select Sort Sequence - Forms may be printed in Employee Id, Last Name, Department Id, or Location Id order.

Verify that the W-2 Tax Year and Employer Federal Tax Id are correct.

Form Type - Select the 2 per page or 4 per page form.

Employee Type - Forms may be printed for *All* employees, *Regular* (Med Qual Gov't Emp box not checked in Employee Maintenance) employees or only *Med Qual Gov't Employees* (box checked).

Employer Name/Address - If the correct information does not default, change it accordingly.

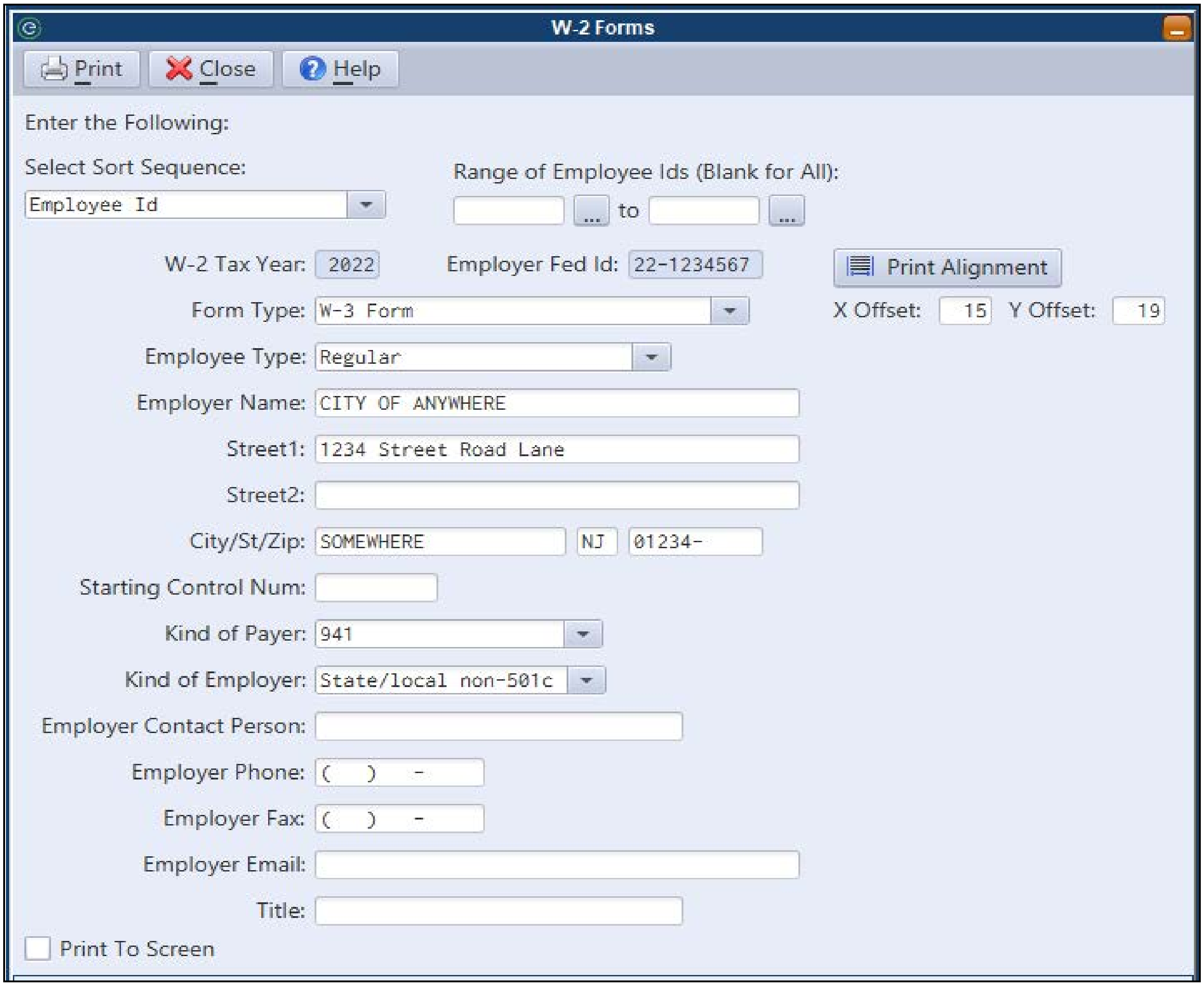
Starting Control Num - Enter a '1' if using the 2 per page format. The W2 forms will be numbered sequentially starting from the number entered in this field.

Print Alignment W-2 - A test form may be printed. The X and Y Offsets may be used to adjust the printing alignment. X adjusts left and right, Y adjusts up and down.

Check the **Print to Screen** check box in order to view the W-2's on the screen. Otherwise, simply select **Print** to be prompted by the printer dialog box.

W-3 Form (Paper Filers Only)

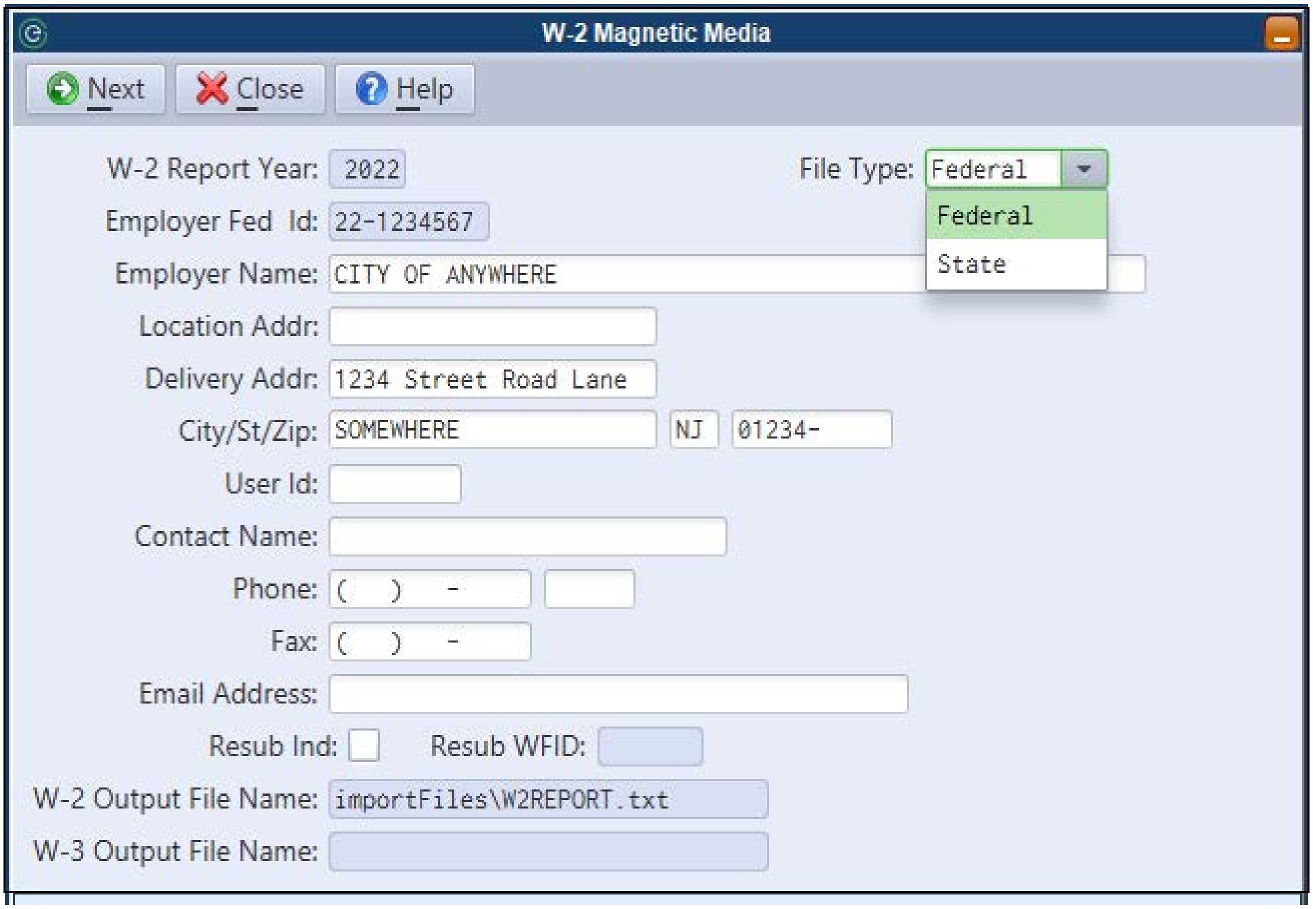
If you need to print a W-3 form for paper filing, use the W-2 Forms **Form Type** combo box to select *W-3 Form*. W-3 specific fields will enable on the panel and must be completed before printing the W-3.



W-2 Magnetic Media

This routine creates a W-2 file that may be transmitted via the internet. If applicable to your state, it will also generate an electronic State W-2 and W-3 file.

Select *Personnel*>*Payroll*>*End of Qtr/Year*>*W-2 Magnetic Media*.



Verify that the W-2 Report Year and Employer Federal Id are correct.

File Type - If this combo box appears on your screen, your state's W2 layout differs from the Federal layout. Separate files will need to be created and transmitted to the appropriate agency.

Employer Name/Address Information - Complete this information correctly.

User Id - A User Id/Pin # is required.

E&A does not know your User Id/PIN #. Visit http://www.socialsecurity.gov/bso/bsowelcome.htm and register for a User Id/PIN.

Contact Name/Phone/Fax/Email - Enter the information for the person in your organization responsible for W2 submission.

Resub Ind - This check box is only to be used when resubmitting the W-2 file. If doing so, check the box and enter the WFID (Wage File Identifier Number) number in the box. The WFID number appears on the IRS notice to re-file.

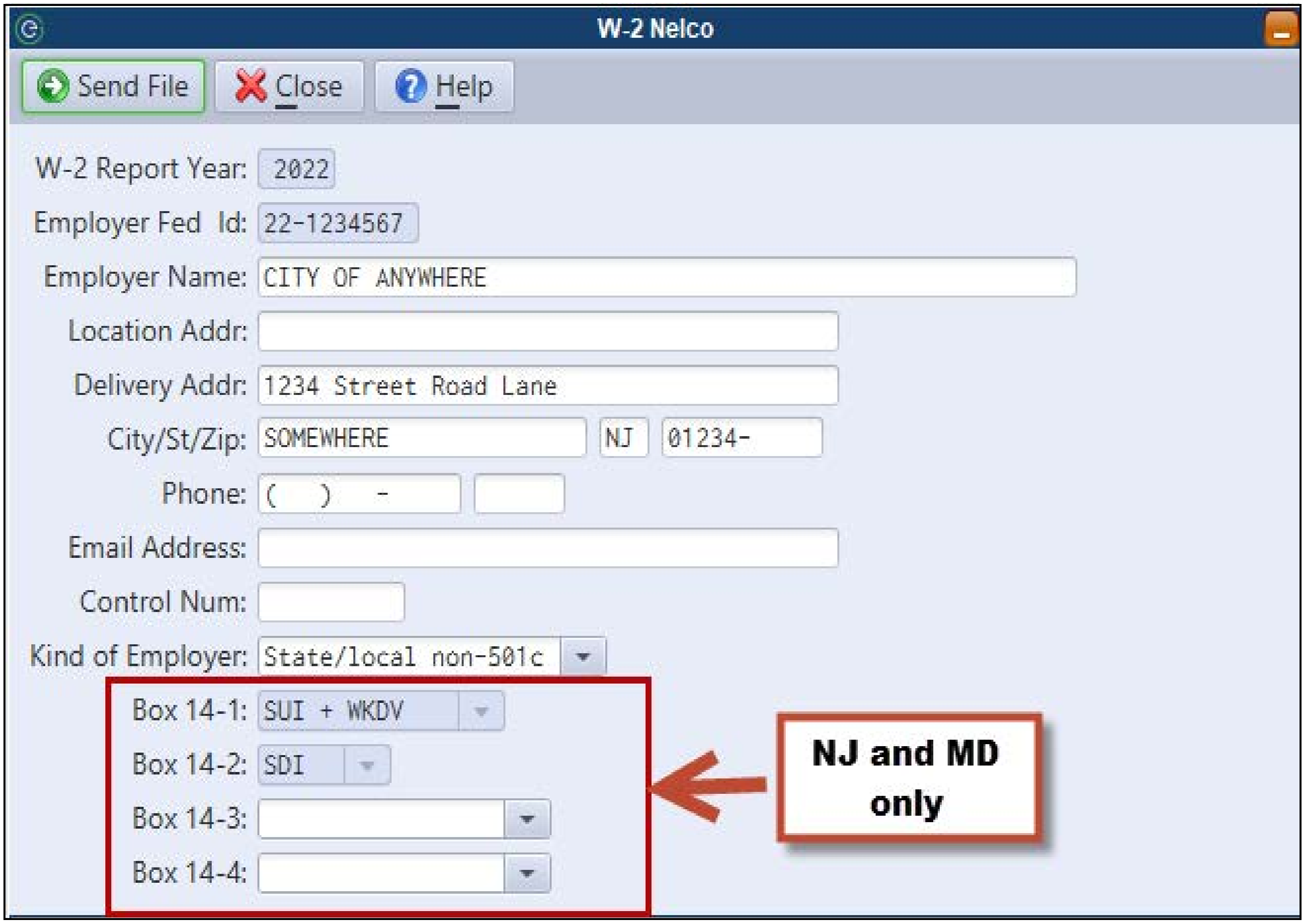
Click **Next** to create the file. The file will be named W2REPORT (Federal file) and will be created in the MCSJ/importFiles directory. The W2 Magnetic Media Totals Report will print to the screen and may be sent to a printer.

Nelco W-2 Process (Optional)

If you wish to use Nelco Solution's services to provide printing, mailing and online retrieval for your W2 forms as well as federal and state e-filing, a menu option has been added in MCSJ to upload W2 information to the Nelco portal.

Before accessing this menu option in MCSJ, all W2 processing steps, other than actually printing and filing the forms, should have been completed. In addition, you will need to contact Nelco Solutions customer service at 800-266-4669 or www.Nelcosolutions.com in order to purchase a pre-paid filing code. Pricing information can be found at https://edmunds.nelcoportal.com/Content/Filing_Information.

Payroll>End of Qtr/Year>W-2 Nelco

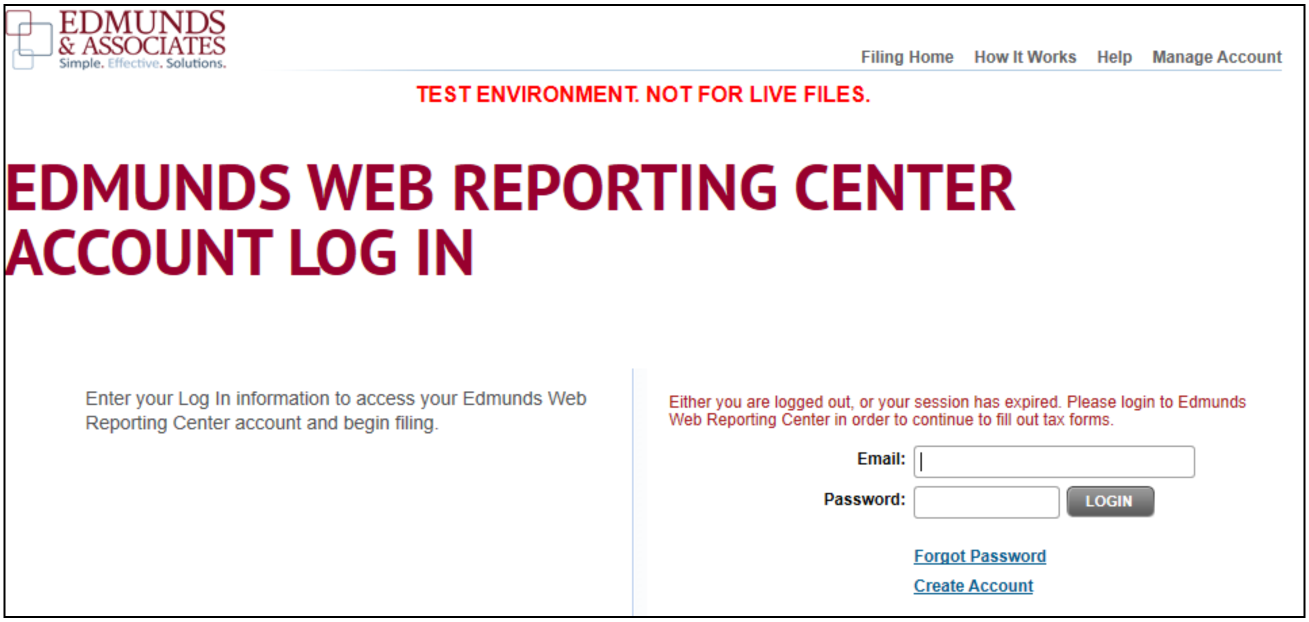


Complete and verify all of the information on the screen.

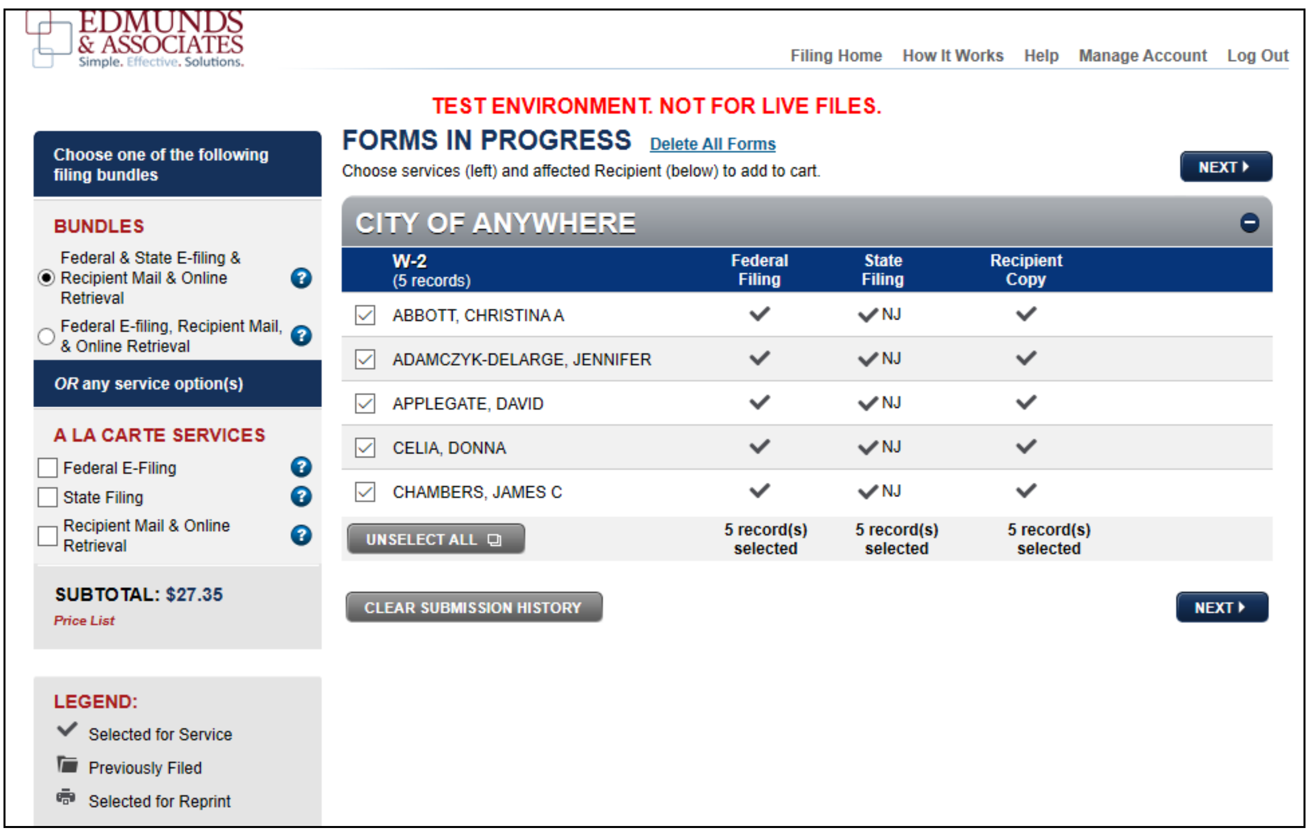
Control Num - Enter 1.

The Box 14-1 thru 14-4 fields will only appear for NJ and MD clients. Nelco transmits NJ SUI/SDI and MD Pickup contributions in the disabled Box 14 W2 fields regardless of your W2 Parameter settings in MCSJ. You may utilize the remaining boxes to report any of the other deduction/earning descriptions you've labeled in W2 Parameter Maintenance.

Click **Send File** to transmit the W2 information to the Nelco Web Reporting Center. A browser will open to the log-in page where you can log-in or create an account.



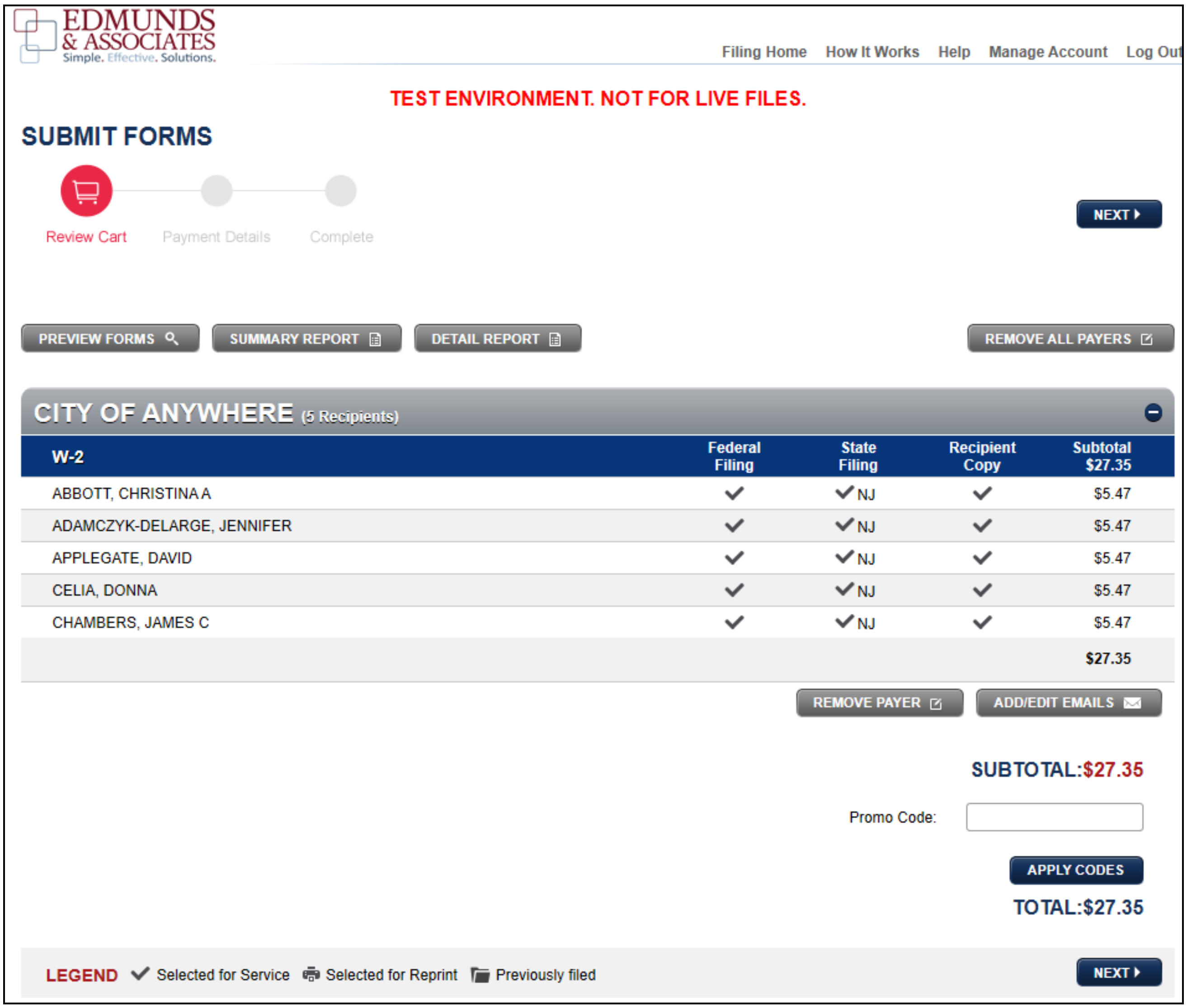
Once logged in, the *Forms in Progress* screen will list all of your employee W2 records and you can select the services you'll be purchasing.



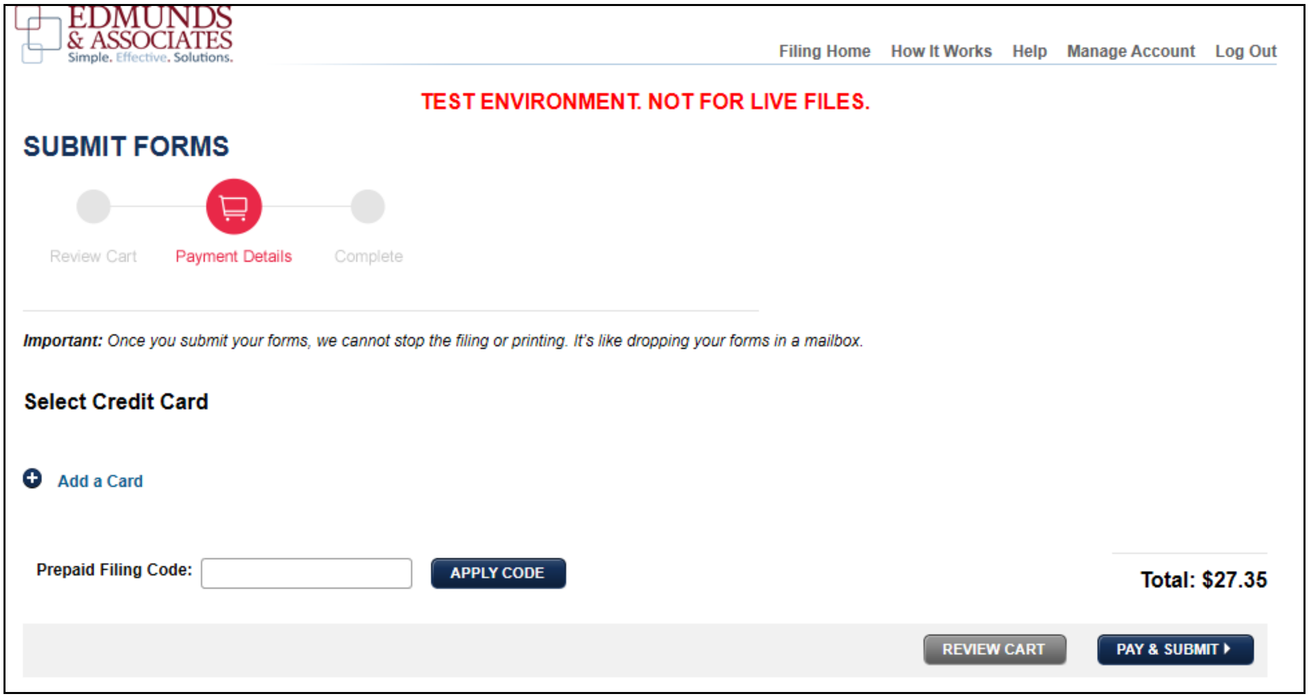
Click **Next** to continue.

The *Submit Forms* screen will allow you to preview the forms, print a summary report that can be verified against your MCSJ W2 Register totals or export the W2 records to Excel. You can also utilize this screen to edit any email addresses that may not have been properly entered in MCSJ.

> *Depending on the states for which you're filing, you may be prompted with State specific information screens. Complete any requested information to continue with the process.*



Click **Next** and enter your prepaid filing code or credit card information.



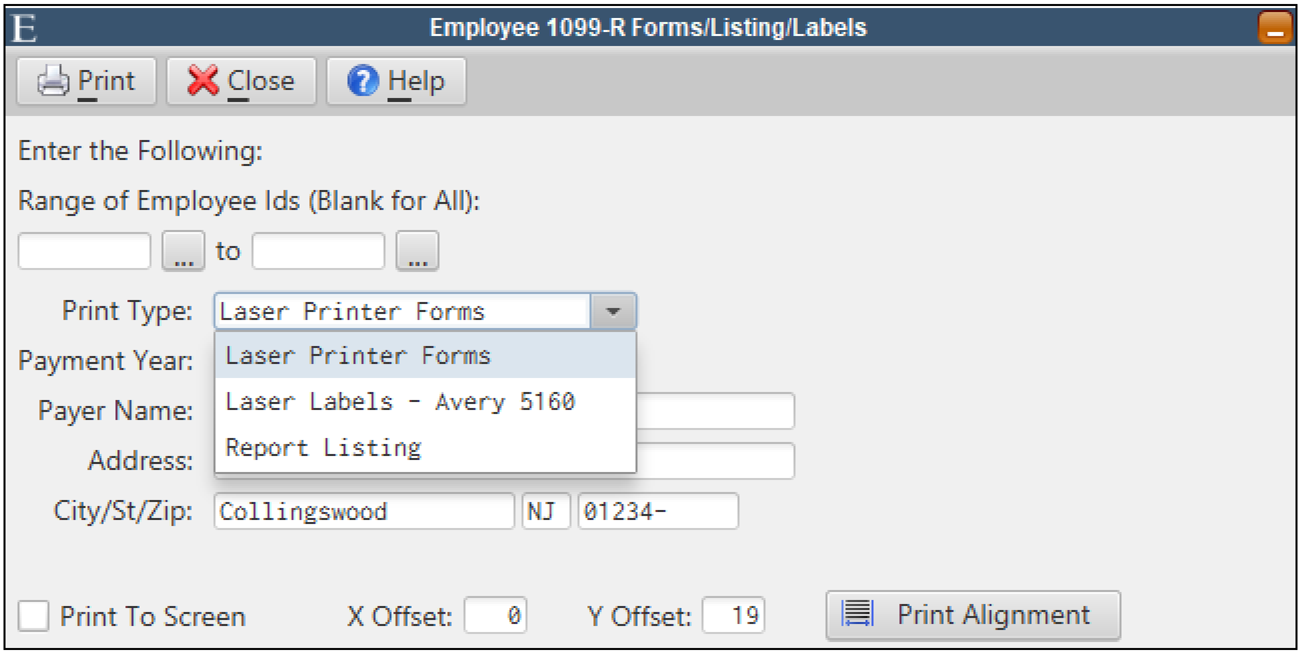
Verify your totals and then click **Pay & Submit**. A confirmation page should appear if the submission and payment were approved.

> *You may want to bookmark the Nelco Web Reporting Center log-in page so you can log back in later to check the status of your filing or view/print/email W2 forms.*

1099-R Forms

These are forms to report distributions from pensions, annuities, retirement or profit -sharing plans, etc. These forms can be produced for any employees whose **Pay Group Category** is flagged *1099-R*.

Select *Personnel>Payroll>End of Qtr/Year>Employee 1099-R Forms/Listing/Labels*.



Print Type - 1099-R information for each qualifying employee may be printed in report format by selecting *Report Listing*. Select *Laser Printer Forms* to print the forms.

Payment Year - Specify the tax year for the earnings.

Payer Id - Enter the organization's Federal Tax Id.

Payer Name/Address - Verify this information before printing the forms.

Print Alignment 1099-R - A test form may printed. The X and Y Offsets may be used to adjust the printing alignment. X adjusts left and right, Y adjusts up and down.

Click **Print**.

W2 Healthcare Cost Reporting

Employers who filed more than 250 W2's in the prior year are required to report the cost of group health insurance coverage in Box 12DD on an employee's W2. These employers should refer to the IRS "General Instructions for Forms W2 and W3" and the official IRS guidance on this reporting requirement before proceeding with W2 processing.

In MCSJ, the cost of group health insurance coverage will typically be reported using special, non-taxable "earning" codes. The user will have the option of manually entering the amount to report on a check adjustment or by auto-creating the check adjustments from a health benefit import file that is created by MCSJ and can be modified in Excel by the user.

If the employer already includes the employer cost on a non-taxable earning code throughout the year and withholds employee health contributions using a deduction code, these codes can simply be flagged to report in Box 12DD like any other deduction/earning code. This would only be appropriate in a situation where the total employee "earnings" and deductions equal the aggregate reportable cost as defined by the IRS. If this is the case for your organization, no further action is required and you can proceed with W2 processing. This will not be applicable to NJ users.

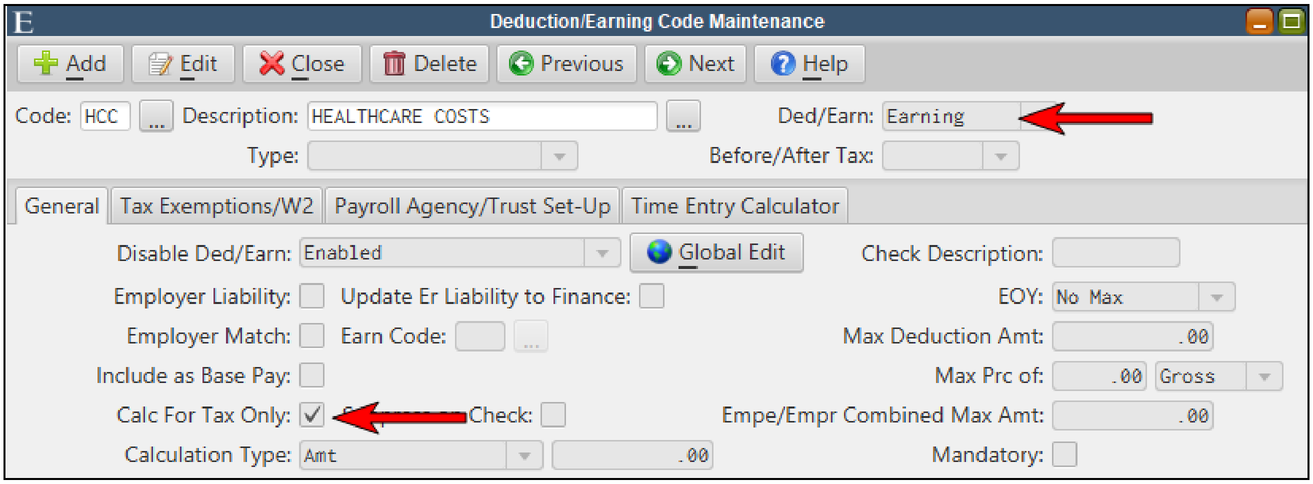
The steps below will guide the user through the process of including health benefit costs on the W2. All users for which this reporting is applicable should create the special healthcare "earning" code described below. Then, if Health Benefit records exist in the system and are assigned to employees, users can export this information to Excel, modify the reportable costs for each employee (if necessary), and import the totals back into the system in the form of a check adjustment. If the Health Benefit records are not utilized, the user can refer to the check adjustments section of this manual for guidance on manually entering check adjustments. When the W2 records are generated, the check adjustment amounts will be included on employee W2's.

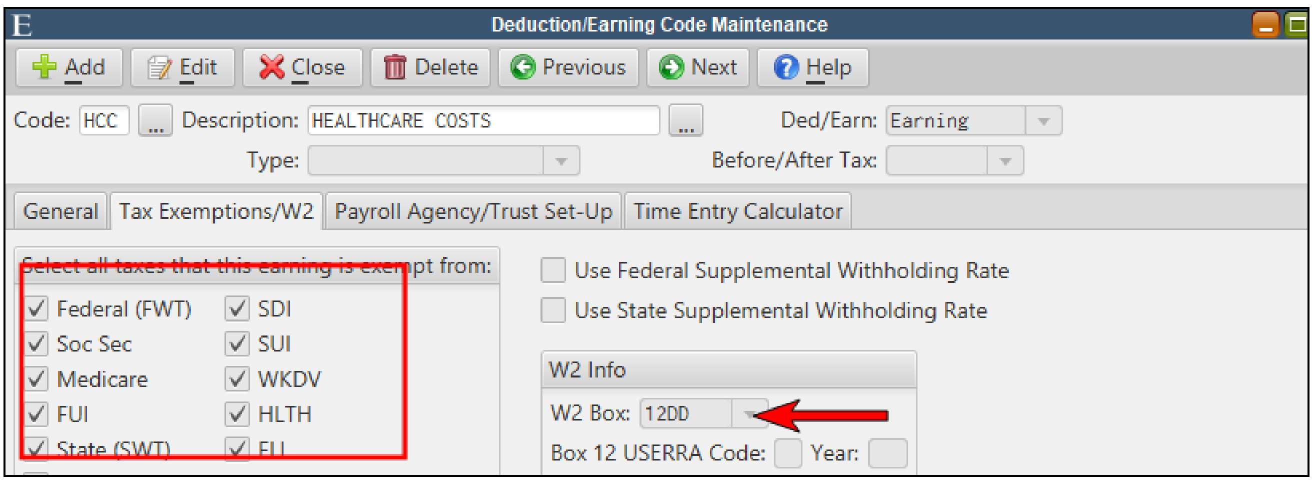
Create Healthcare Costs "Earning" Code

An earning code needs to be created in order to report employee health insurance costs. This code will be entered on a check adjustment, either manually or via the import of a Health Benefits import file.

This code will have no effect on employee earnings or taxable wages.

The earning code is created under *Personnel*>*Maintenances*>*Deduction/Earning Code Maintenance*.



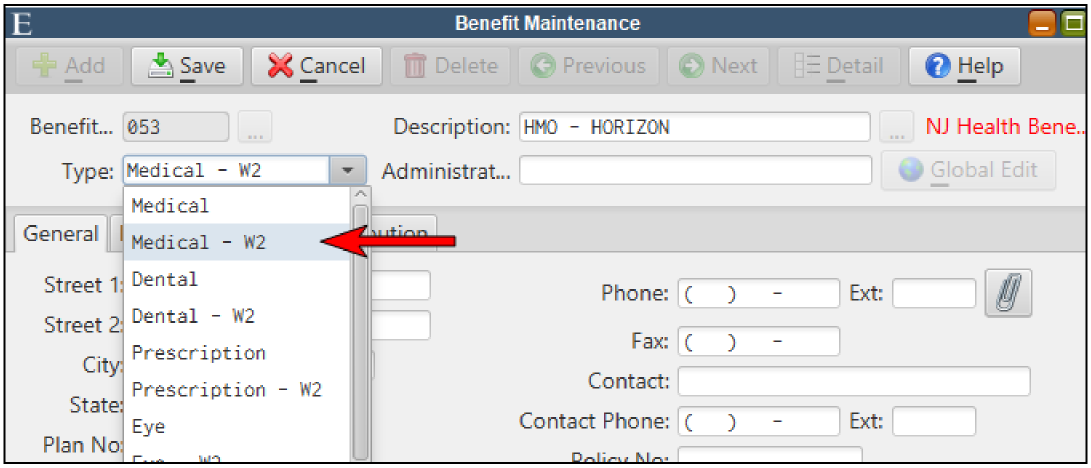


Identify Reportable Health Benefit Plans

When choosing to automatically export/import health benefit costs, the user must first identify the Health Benefit Id's which should be reported on the W2.

Go to *Personnel>Maintenances>Benefit Maintenance*.

If the Benefit costs should be included in the total reportable amount in Box 12DD, edit the Benefit Id and select the appropriate W2 Type designation.

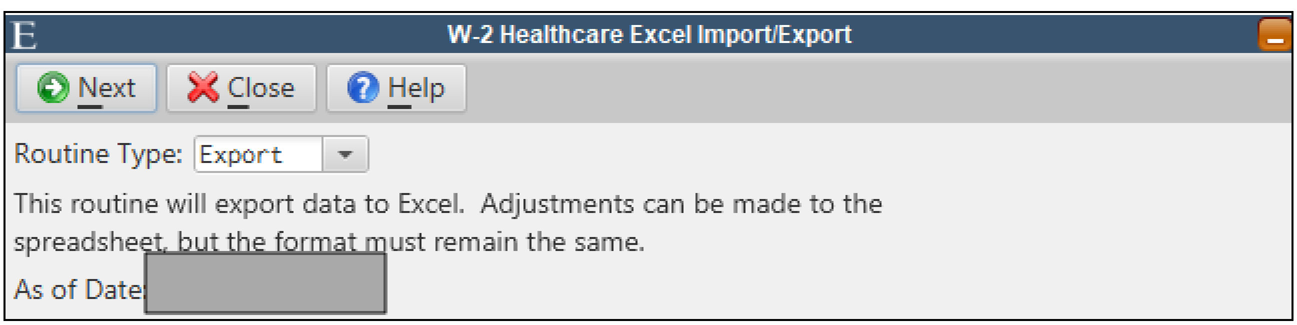


Export Reportable Health Benefit Costs to Excel for Editing

This step will export the selected Health Insurance benefit costs for each employee to Excel. In the Excel file, users will have the opportunity to edit the reportable costs and then import the results back into MCSJ in the form of a check adjustment. The check adjustment will include the Healthcare costs earning code with the amount to be reported on the W2.

Users may need to edit the reportable costs for employees if there were changes in coverage, leave of absences, new hires, changes in premiums, etc.

Select *Personnel>Payroll>End of Qtr/Year>W2 Healthcare Excel Import/Export*.



The annual premium amounts currently stored on each W2 reportable Benefit will be exported to Excel for each employee. If benefits or premium amounts were already updated for the new year, the export should be run with an 'As of date' prior to the effective date of the new premium amounts.

Select **Export** and click **Next**.

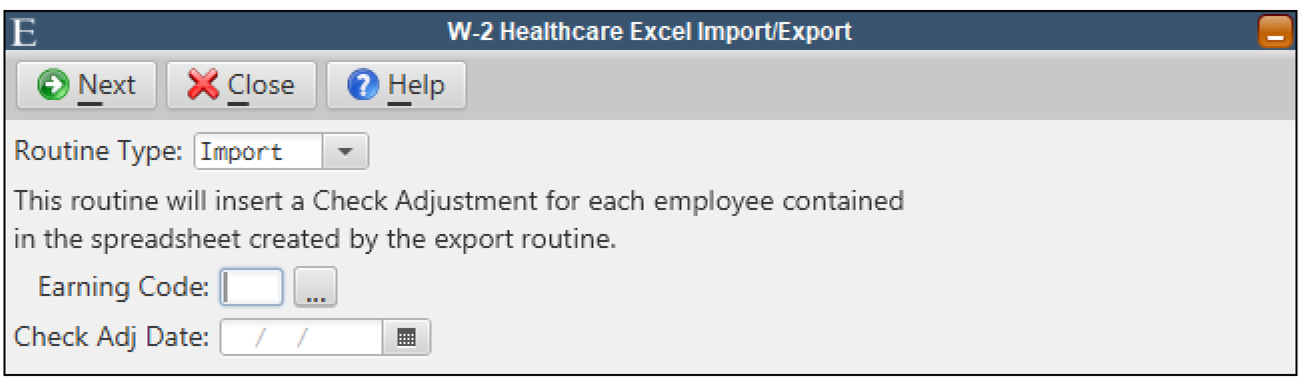
An Excel file will be created containing the reportable Health Benefit costs for each employee. NJ users can edit the “Reportable Amount” for each employee/benefit. All other users can edit the “Employee Contrib Amount” and “Employer Contrib Amount” fields, which will automatically update the “Reportable” and “Total Reportable” amounts in the file. The “Total Reportable” amount for each employee is the value that will ultimately be imported for W2 reporting.

> *Do NOT modify the layout of the Excel spreadsheet. The layout must be preserved in order for the file to be imported back into MCSJ.*

Import Reportable Health Benefit Costs from Excel

This step will import the Health Benefit Excel file’s “Total Reportable” amounts for each employee back into MCSJ. The routine will create a check adjustment for each employee using the “earning” code created in Step 1.

Select *Personnel>Payroll>End of Qtr/Year>W2 Healthcare Excel Import/Export*.



Choose *Import*, select the Healthcare Cost earning code, and specify a date in the W2 year. Click **Next** and then browse and select the saved Health Benefit Cost Excel file. Click **Open** and the total reportable amounts will be imported from the file. The W2 Healthcare Import Listing will appear and should be printed for review.

If any amounts need to be edited after the import, they can modified on the employee check adjustments (Check Adjustment Routine).

After the amounts are verified, you will be able to begin the W2 generation process described in this manual.

Manual Entry of Check Adjustments

If you elect not to use the Healthcare Import/Export options, the reportable Healthcare costs may be manually entered on a check adjustment for each employee. Use the check adjustment instructions at the beginning of this manual to enter the Healthcare Costs earning code and reportable amount on a check adjustment for each employee. Make sure your check adjustment date is in the reporting year.

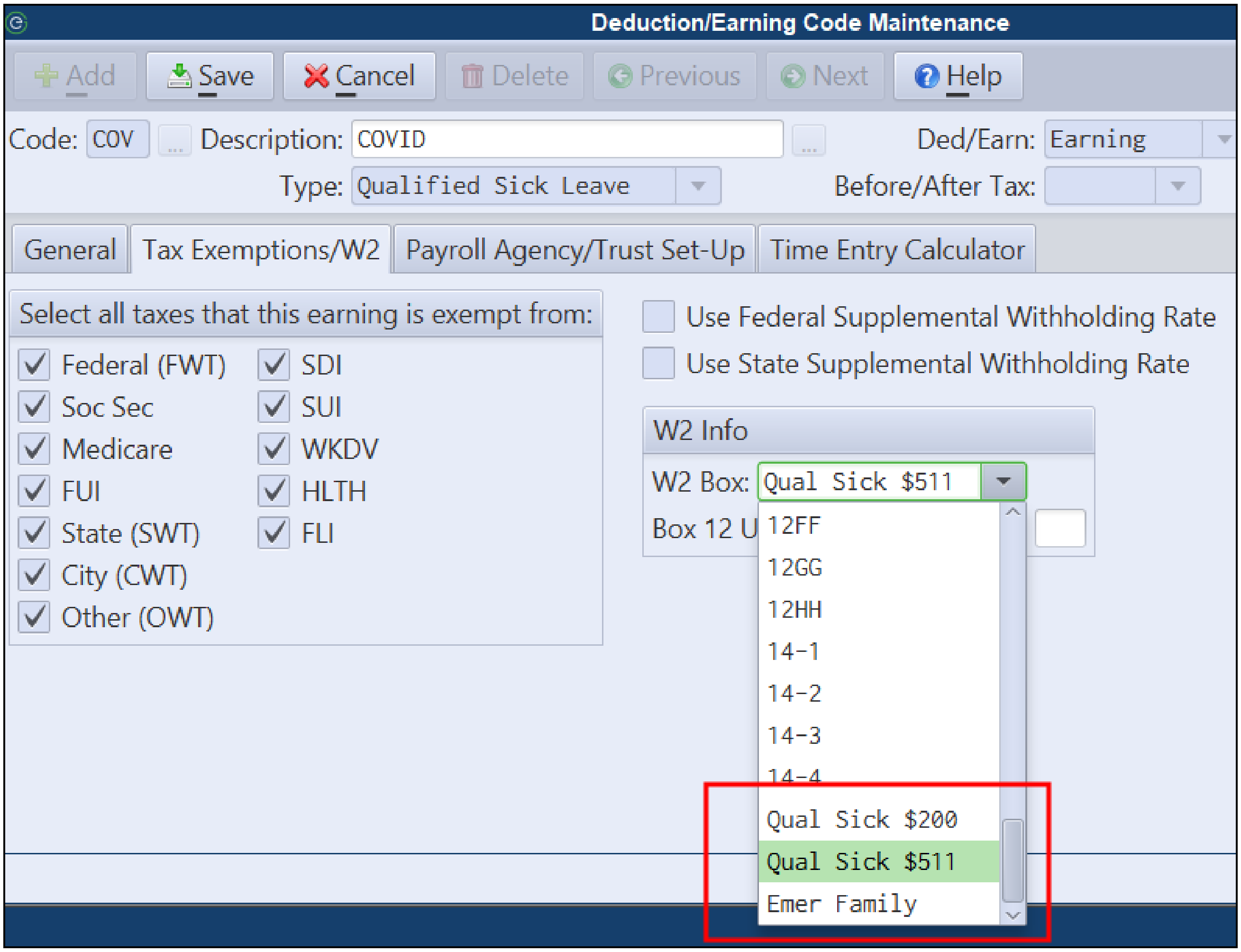
Additional Box 14 Statements

IRS notice 2020-54 provided guidance on reporting qualified sick and family wages paid pursuant to the Families First Coronavirus Response Act. In lieu of reporting these wages in Box 14, the notice permits supplemental statements to be provided to any employees who received these wages during the tax year. The statements are required to be given to the employee with their W2 and can be printed in MCSJ using the new 'Additional Box 14 Statements' menu option.

When reporting qualified sick leave wages, employers are required to distinguish between the wages paid subject to the $511 per day limit and $200 per day limit as defined in the Emergency Paid Sick Leave Act. They will also need to separately classify any COVID-19 related family leave wages paid under the Emergency Family and Medical Leave Expansion Act.

In MCSJ, these classifications can be assigned on the appropriate 'Qualified Wage' type earning codes using 3 new options in the Deduction/Earning Code Maintenance **W2 Info** box as shown below.

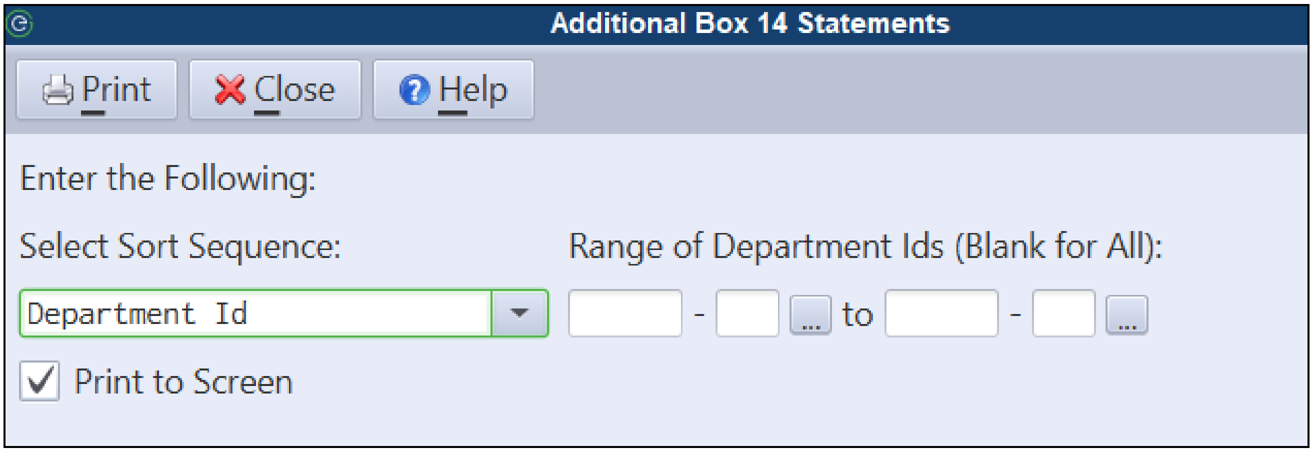
If necessary, users can add/remove Qualified Sick and Family Leave Wage earning codes from individual employee check records using the Check Adjustment Routine. These are the only type of earning codes that may be added or removed from check history records.



Printing Additional Box 14 Statements

After the W2 file is generated, users can use the W2 Register to review the employees scheduled to receive the additional box 14 statements for sick and qualified leave wages. Once the information is verified, users can print the statements.

Select *Payroll>End of Qtr/Year>Additional Box 14 Statements*.



The statements will print to plain paper. Choose the desired sort sequence and click **Print**.