

Payroll Cheat Sheet

Employee Wages

Wages paid to employees are subject to federal withholding, social security and medicare taxes and reported to the IRS on forms 941 quarterly and to the Social Security Administration annually on W2's.

Priest Wages

Priests are considered employees of parishes for income tax purposes, but are considered self-employed for Social Security and Medicare. Therefore, the wages paid to priests are included as taxable wages in Line 2 of the 941 forms, but are not included on lines 5a and 5c. Wages are included in Box 1 of the W2, but not in box 3 and 5.

Flex Plan (also called Section 125 Plan)

Currently provided by Wage Works

The amounts deducted from paychecks are exempt from all Federal Taxes (Withholding, FICA, and Medicare). These amounts are not even recognized as wages. Therefore, Flex amounts should be deducted from wages and not listed on the 941 or W2's at all.

Retirement Plans (403B plans)

Amounts contributed to a 403B plan are Exempt from Federal Withholding only. They are taxable for FICA (Social Security) and Medicare. **Employer matches or contributions are NOT treated as wages.** Do not include amounts withheld for retirement on line 1 of the 941 form, but do include them on lines 5a and 5c. Do not include them in Box 1 of the W2, but do include them in Box 3 and 5. Also, put the amount withheld in Box 12 of the W2 with a letter E for 403B.

	On W2	On 941
Regular Wages	In Box 1, 3 and 5	On line 2, 5a and 5c
Priest Wages	In Box 1 only	On line 2 only
Flex Amounts Withheld	Only amounts withheld for childcare are reported in Box 10	Not listed anywhere
Retirement Amounts Withheld	In Box 3 and Box 5 In Box 12 with code E	On line 5a and line 5c

AT YEAR END: The sum of the four quarterly 941 reports should equal what is reported on the W3 (which totals all of your W2's) as follows:

<u>Form W3</u>	<u>Sum of the four 941's</u>
Box 1	Line 2
Box 2	Line 3
Box 3	Line 5a Column 1
Box 4	Line 5a Column 2 divided by 2
Box 5	Line 5c Column 1
Box 6	Line 5c Column 2 divided by 2

THE SUM OF LINE 11 ON THE FOUR 941'S SHOULD EQUAL THE AMOUNT OF TAX DEPOSITS PAID THROUGHOUT THE YEAR.

Prepare and distribute W2's to employees by January 31st. Wait until the end of February to send Copy A of the W2 with the W3 to the Social Security Administration. This will allow your employees to inform you of discrepancies that can be fixed before your reports are sent in.