

MEMO

DATE: 1/17/12
TO: All Employees
FROM: Jay Staab, Director of Finance
RE: W-2's for 2011

The purpose of this memo is to address frequently asked questions regarding W-2's. This memo is available on hcps.org and on the Harford County Public Schools SharePoint site under Business Services.

1. Why do the wages on my W-2 not agree with my employment contract?

- The W-2 reflects wages during a calendar year (January 1 to December 31), and your contract amount is paid over a fiscal year (July 1 to June 30). Each calendar year has the last half of one fiscal year and the first half of the next fiscal year.
- There will be a difference between your W-2 and contract amount if you...
 1. Received workers' compensation benefits during the year
 2. Were docked for used but unearned annual or sick leave
 3. Were paid overtime wages
 4. Were paid for additional duties
 5. Were paid for "In-service" programs
 6. Had group term life insurance coverage greater than \$50,000
 7. Had personal use of a Board owned vehicle
- Many of the deductions that are withheld on a bi-weekly basis are tax-exempt or tax-deferred for some but not all taxable wage bases. See numbers 2 and 3 below for further discussion and illustration.

2. Why do the wages on my W-2 not agree with my last pay stub in 2011?

- Gross income does not equal taxable income. However, YTD Taxable Gross on your last pay stub of December (12/30/11) should equal Box 1 of your W-2 (Federal taxable wages). Many of the deductions that are withheld on a bi-weekly basis are tax-exempt or tax-deferred for some but not all taxable wage bases (as stipulated by the applicable taxing authority). Your W-2 shows different taxable wages in Box 1 – Federal, Box 3 – Social Security, Box 5 - Medicare and Box 16 - State. The following calculations show how to arrive at each of your taxable wage bases.

YTD Total Gross Earnings on 12/30/11 pay stub
Less Health, Dental, Life and Flex Medical Spending Deductions (Box 14 Code S125)
Plus Qualified Moving Expense Reimbursement (Box 12 Code P)
Equals PA State Wages (Box 16)
Less Qualified Moving Expense Reimbursement (Box 12 Code P)
Less Flex Dependent Care Deductions (Box 10)
Equals Taxable SS (max \$106,800) and MC Wages (Boxes 3 and 5)
Less Tax Sheltered Investment Deductions [403(b) and 457(b)] (Box 12 Codes E & G)
Equals Taxable Maryland Wages (Box 16)
Less State Retirement Contributions (Box 14 Code STPICKUP)
Equals Taxable Federal Wages (Box 1 on W-2 and Taxable YTD Gross on 12/30/11 pay stub)

3. What are the amounts shown in Box 14?

The amounts in Box 14 are not specifically required by the IRS but are presented for informational purposes.

“STPICKUP” (State Retirement Pickup) represents the amount withheld from your pay for Maryland State Retirement during calendar year 2011. This amount is excluded from Federal taxable wages reported in Box 1 of your W-2 since it is not considered taxable for Federal purposes. The “STPICKUP” is an “Addition to Income” item on the Maryland Income Tax Return as it is considered taxable by the State of Maryland. On the 2011 MD Form 502, this is Line #3 – “State Retirement Pickup”.

“S125” (Section 125) refers to amounts deducted pre-tax as allowed under IRS Code Section 125. The amount reported in Box 14 as S125 represents amounts deducted pre-tax for Health, Life, Dental and Flex Medical Spending. The Flex Dependent Care deductions are reported separately in Box 10.

After you review this information, please feel free to contact individuals in the Business Office to answer any questions you may have about your W-2.

Mary Folus, Payroll Manager

X5241

Christine Barker, Supervisor of Finance X5210

Robert Smith, Software Administrator

X5302

Jay Staab, Director of Finance

X5237