Understanding Your W2 Wages

Each year Payroll receives many questions about the W2. Most of these questions focus on understanding the amounts in the numbered boxes on the W2. The most common questions relate to why W2 Wages differ from your final pay stub for the year, and why Federal and State Wages per your W2 differ from Social Security and Medicare Wages per the W2. The short answer is that the differences relate to what wage amounts are taxable in each case. The following steps will walk you through the calculations of the W2 wage amounts and enable you to reconcile these to your final pay stub for the year.

Using your last pay stub for the year, you can calculate taxable wages that should appear on your W2. To determine Federal and State taxable wages on your W2, begin with the Gross Pay YTD (year-to-date) from your final pay stub for the year. From the Gross Pay YTD, make the following adjustments if applicable:

Federal Taxable Wage – Adjustments to Gross Pay YTD:

Subtract – YTD Before-Tax Deductions

- Medical
- Dental
- Long Term Disability
- FSA Health
- FSA Dependent Care
- Parking
- T Pass
- 403B
- 457 Plan

Add - Employer Paid Benefits Taxable* for SSM Medical and Dental YTD
Add - Employer Paid Benefits Taxable* for QDP Medical and Dental YTD
Add - GTL imputed income from Box 12C on your W2

State Taxable Wage – Adjustments to Gross Pay YTD:

Subtract – YTD Before-Tax Deductions

- Medical
- Dental
- Long Term Disability
- FSA Health
- FSA Dependent Care
- Parking
- T Pass
- 403B
- 457 Plan

Subtract - After-Tax Deductions SSM Medical and Dental YTD
Add - Employer Paid Benefits Taxable* for QDP Medical and Dental
YTD
Add - GTL imputed income from Box 12C on your W2

The resulting amounts should equal Box 1 Federal Wages and Box 16 State Wages on your W2.

If you find that after making these adjustments to your Gross Pay YTD per your final pay stub, the result does not match Box 1 Federal Wages and Box 16 State Wages on your W2, call the Paycheck Hotline 495-3001 for assistance.

The calculation of Social Security and Medicare taxable wages is virtually the same, with only a slight difference in allowable pre-tax deductions. Also, keep in mind the Social Security Wage Base for 2006 was $94,200. To determine Social Security and Medicare taxable wages on your W2, again begin with the Gross Pay YTD from your final pay stub and make the following adjustments if applicable:

Social Security and Medicare Taxable Wage – Adjustments to Gross Pay YTD:

- Subtract - Before-Tax Medical deductions YTD
- Subtract - Before-Tax Dental deductions YTD
- Subtract - Before-Tax Long Term Disability YTD
- Subtract - Before-Tax FSA Health deductions YTD
- Subtract - Before-Tax FSA Dependent Care deductions YTD
- Subtract - Before-Tax Parking deductions YTD
- Subtract - Before-Tax T Pass deductions YTD
- Add - Employer Paid Benefits Taxable* for SSM Medical and Dental YTD
- Add - Employer Paid Benefits Taxable* for QDP Medical and Dental YTD
- Add - GTL imputed income from Box 12C on your W2

The resulting amount should equal Box 3 Social Security Wages and Box 5 Medicare Wages on your W2.

If you find that after making these adjustments to your Gross Pay YTD per your final pay stub, the result does not match Box 3 Social Security Wages and Box 5 Medicare Wages on your W2, call the Paycheck Hotline 495-3001 for assistance.

Explanation of Other Boxes on your W2:

Box 12C:   Group term life
Box 12E:   403B TDA deductions
Box 12G:   457 Plan deductions
Box 12P:   Excludable moving expenses
Box 12T:   Adoption benefits