

Understanding your Forms W-2 and 1042-S

Each year, employees will receive a Form W-2 that provides details of prior year earnings, taxes withheld and other miscellaneous data (such as cost of employer sponsored health coverage and contributions to retirement or tax deferred savings plans.)

Employees and/or students that are foreign nationals will receive a Form 1042-S. A Form 1042-S is a year-end federal tax document given to a non-resident alien who received wages that were exempt from federal and state tax withholding by a tax treaty and/or received a non-qualified taxable scholarship. In certain instances, foreign nationals may receive both a W-2 Form AND a Form 1042-S for the same tax year.

1 Wages, tips, other compensation 10415.00		2 Federal income tax withheld 900.00	
3 Social security wages 12990.00		4 Social security tax withheld 805.38	
5 Medicare wages and tips 12990.00		6 Medicare tax withheld 188.36	
a Employee's SSA number 123-45-6789		Employer use only	
b Employer's FED ID number 38-6005984		d Control number 00000001	
c Employer's name, address, and ZIP code Michigan State University 426 Auditorium #350 East Lansing MI 48824			
7 Social security tips		8 Allocated tips	
9		10 Dependent care benefits	
11 Nonqualified plans		12a See instructions for box 12 DD 4500.00	
13 Statutory Employee <input type="checkbox"/>	Retirement plan <input checked="" type="checkbox"/>	Third-Party Sick pay <input type="checkbox"/>	12b E 600.00
14 Other MN BSE 600.00		12c	
		12d	
e Employee's first name and initial Last name Suff. Sparty Jones 123 Spartan Blvd East Lansing MI 48823			
f Employee's address and ZIP code			
15 State MI	Employer's state ID 690350502	18 Local wages, tips, etc	
16 State wages, tips, etc. 10415.00		19 Local income tax	
17 State income tax 442.00		20 Locality name	
Form W-2 OMB No. 1545-0008 Wage and Tax Statement 2016		Dept. of the Treasury - Internal Revenue Service. This information is being furnished to the IRS. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.	
Copy C for Employer's records			

Box 1: Wages, Tips, Other Compensation. This is your total taxable wages for federal income tax purposes. This figure includes your regular wages, bonuses, and any taxable fringe benefits (such as education benefits greater than \$5,250), rewards and recognition, gifts, taxable moving expenses, as well as the taxable value of group-term life insurance in excess of \$50,000 (see box 12, below). The amount in Box 1 will generally be listed in the "YTD Gross Pay" box on your final earnings statement, minus any pre-tax deductions such as health/dental insurance, flexible spending accounts and retirement and tax deferred savings plans, etc.

Box 2: Federal income tax withheld. This amount represents the total amount withheld from your paycheck for federal income taxes.

Box 3: Social Security Wages. This represents income subject to Social Security tax. There is a **Social Security wage base** each year and once you earn up to that amount, you no longer will have deductions for Social Security tax. Social Security wages are reduced by pre-tax deductions such as health/dental insurances, parking and flex spending but not reduced by your contributions to a retirement plan (403b or 457.) The only applicable exceptions are University students working at the University while enrolled at least half time and attending classes, as well as nonresident alien employees visiting the U.S. for a limited period on F-1 or J-1 visas and performing services to carry out the purpose for which such visas have been issued.

Box 4: Social Security Tax Withheld. This amount represents the total amount withheld from your paycheck for social security taxes. The Social Security tax rate is 6.2%, and a matching amount of 6.2% is paid by the University. The only applicable exceptions are University students working at the University while enrolled at least half time and attending classes, as well as nonresident alien employees visiting the U.S. for a limited period on F-1 or J-1 visas and performing services to carry out the purpose for which such visas have been issued.

Box 5: Medicare Wages and Tips. This represents income subject to Medicare tax. There is no maximum wage base for Medicare taxes. Medicare wages are reduced by pre-tax deductions such as health/dental insurances, parking and flex spending but not reduced by your contributions to a retirement plan (403b or 457.) The only applicable exceptions are University students working at the University while enrolled at least half time and attending classes, as well as nonresident alien employees visiting the U.S. for a limited period on F-1 or J-1 visas and performing services to carry out the purpose for which such visas have been issued.

Box 6: Medicare Tax Withheld. This amount represents the total amount withheld from your paycheck for Medicare taxes. The Medicare tax rate is 1.45%, and a matching amount of 1.45% is paid by the University. Once you earn \$200,000 annually, there is an additional .9% that the employee pays which makes a total of 2.35%. The only applicable exceptions are University students working at the University while enrolled at least half time and attending classes, as well as nonresident alien employees visiting the U.S. for a limited period on F-1 or J-1 visas and performing services to carry out the purpose for which such visas have been issued.

Box 7: Social Security Tips. This represents tips subject to Social Security tax.

Box 8: Allocated Tips. This represents allocated tips: this amount is not included in boxes 1, 3, 5, or 7. For information on how to report tips on your tax return, see your Form 1040 instructions.

Box 9: Blank; Field not used.

Box 10: Dependent Care Benefits. This amount represents dependent care expenses paid into a flexible spending account as part of the University's Benefits Plan. It is the pre-tax amount listed as DCSA on your earnings statement. Only dependent care benefits are reportable in this box.

Box 11: Nonqualified Plans. This is not applicable to University employees.

Box 12:

- 12 C - Taxable Cost of GTL. The calculated value of group-term life insurance in excess of \$50,000 that has been added into Box 1 as "other compensation".
- 12 E - Section 403(b) Salary Reductions. This represents your total elective deferrals to MSU's retirement plans.
- 12 G - Section 457(b) Contributions. Any amount that you contributed to MSU's Tax Deferred Savings Plan.
- 12 P - Excludable Moving Expense Reimbursements. Non-taxable moving expenses for which you were reimbursed directly (not included in taxable wages in Box 1).
- 12 W - Employer contributions (including amounts you elected to contribute using a section 125 plan) to a health savings account. Report on Form 8889, Health Savings Accounts (HSAs).
- 12 DD - Cost of Employer-Sponsored Health Coverage. This is the cost of your employer sponsored health coverage. The amount reported is not taxable. This figure includes both the employee and the employer paid health insurance premiums and is for informational purposes only.

Box 13. The "Retirement plan" block must be checked if you contributed to any of the University's tax deferred options. Thus, all University Employees who fall into this category will have an X in this block. By checking the "Retirement plan" block, an employer notifies the IRS that an employee's eligibility for a deductible Individual Retirement Arrangement (IRA) is limited.

Box 14. Other – This box may be used by an employer to report any additional tax information (e.g. mandatory retirement contributions, union dues, or taxable auto allowance.)

Box 15: State/Employer's State ID Number – This box reports the applicable state and the University's state identification number for taxation purposes.

Box 16: State wages, tips, etc. – This amount represents the total amount of taxable wages earned in that state.

Box 17: State Income tax – This amount represents the total amount of state income taxes withheld from your paycheck for the wages reported in Box 16.

Box 18: Local wages, tips, etc. - This amount represents the total amount of taxable wages earned in that locality.

Box 19: Local Income Tax – This amount represents the total amount of local income taxes withheld from your paycheck for the wages reported in Box 18.

Box 20: Locality Name – This box simply reports the locality name for taxation purposes.

W-2 FAQs

When will I receive my W-2 Form?

W-2 forms for all employees (current and former) will be mailed to the employee's home address by the deadline of January 31.

What if I need a duplicate copy of my W-2 Form in the event that I lose or do not receive my original W-2 Form?

W-2 reprints will be available beginning the first of February upon completion of a "W2 Duplicate Request Form".

The "W2 Duplicate Request Form" is available on the Payroll Web site: <http://www.ctlr.msu.edu/copayroll/>. Forms may be submitted in person at the Payroll Office, Hannah Administration Building, 426 Auditorium Road Rm 350, faxed to the Payroll Office at (517) 353-1675 or mailed per instructions on the form.

Request forms may also be emailed to: payroll@ctrl.msu.edu. However, due to security reasons, we are not able to e-mail a copy of the W-2 form to you. Duplicate requests will be processed as soon as possible after receipt, but please allow five business days for requests to be processed.

Why doesn't the amount in Box 1 (Wages, Tips and Other Compensation) agree to the total gross earnings on my last earnings statement of the year?

The W-2 Box 1 amount represents the federal taxable wages. Federal taxable wages are Gross Earnings minus pre-tax deductions such as health/dental insurance, parking, retirement and TDSP and FSA Medical and Dependent Care.

Why doesn't the amount in Box 3 (Social Security Wages) agree to the total Gross Earnings on my last earnings statement of the year?

The W-2 Box 3 amount represents taxable wages that are subject to Social Security taxes. This differs from your Gross Earnings because there are certain deductions that reduce your Social Security taxable wages such as the pre-tax medical/dental insurances, pre-tax parking deduction, FSA Medical and Dependent Care. Retirement and Tax Deferred Savings Plans do not reduce your Social Security taxable wages. There is also a [cap on Social Security taxable wages](#) each year. Employees who have earnings in excess of this cap will no longer have a deduction for social security tax for the remainder of that year.

Why doesn't the amount in Box 5 (Medicare Wages) agree to the total Gross Earnings on my last earnings statement of the year?

The W-2 Box 5 amount represents taxable wages that are subject to Medicare taxes. This differs from your Gross Earnings because there are certain deductions that reduce your Medicare taxable wages such as the pre-tax medical/dental insurances, pre-tax parking deduction, FSA Medical and Dependent Care. Retirement and Tax Deferred Savings Plans do not reduce your Medicare taxable wages. Medicare Taxable Wages do not have a cap amount in the year.

Where can I find explanations of the boxes and associated codes found on the W-2 form?

The explanations of these codes can be found on the reverse side of your W-2 form.

Why don't I have any Social Security or Medicare Wages reported on my W-2 form?

Students of the University who are enrolled on at least a half time schedule are exempt from Social Security and Medicare taxes. Certain foreign nationals on specific visas are also exempt from these taxes.

My address is not correct on my W-2 Form. Do I need a corrected W-2 form?

No, address changes do not require a corrected W-2 form.

Are all days worked in December included in my current year's W-2 form?

For tax reporting purposes, wages are reported when they are paid, rather than when they are earned. Any December days worked and not actually paid in that month are considered earnings in the new calendar year.

My salary is higher this year than the prior year yet my W-2 earnings are less this year. What could be the issue?

You should ensure that your pre-tax deductions (e.g. Health insurance, retirement, etc.) have not changed drastically from one year to the next. Also check to see if you received any type of bonus in the prior year that would have increased your total gross pay. If you did not receive a bonus in the current year as well, that would make it appear that you earned less in the current year despite having a higher base salary.

Who do I call if I have questions on my W-2 Form?

If you could not get your question answered by reviewing the W-2 FAQ section, please contact the MSU Payroll Office at 517-355-5010 or by email to payroll@msu.edu.

Who do I call if I am expecting a Form 1099?

The Payroll Department does not handle Forms 1099.

All 1099 forms will be mailed to the recipient's home address by the deadline of January 31. There are 2 source offices for the Form 1099; inquiries should be referred to the appropriate office as defined below.

- 1099-MISC - Office of Financial Analysis at 517-355-5029
- 1099-E – Student Loans at 517-355-3340

1042-S FAQ's for Foreign National Students/Employees

What is a Form 1042-S and when should I receive it?

A 1042-S is a year-end federal tax document given to a nonresident alien who:

- Received wages exempted from federal and state tax withholding by a tax treaty; and/or
- Received a non-qualified taxable scholarship (Any amounts received for incidental expenses or by a non-degree candidate are taxable scholarships. Incidental expenses include room and board, travel, and expenses for equipment and other items that are not required for either enrollment or for attendance, or in a course of instruction).

The 1042-S has an income code, which describes the type of income being reported. In certain cases, you may receive a W-2 in addition to a 1042-S. The form is typically mailed mid-late February. The 1042S will be postmarked no later than March 15.

I did not receive my 1042-S. How do I get a copy of my 1042-S?

If you know that you should have received Form 1042-S but have not received it, please contact the Office of Financial Analysis at 517-355-5029

Am I considered a "nonresident alien" or a "resident alien" for tax purposes?

U.S. tax law categorizes people as residents or nonresident aliens for tax purposes, which is not necessarily the same as residency according to immigration law. Residents for tax purposes follow the same rules as U.S. citizens, but there are special rules for nonresident aliens for tax purposes. There are also special rules that apply specifically to F-1 students, J-1 students and scholars, and H-1 employees who are nonresident aliens for tax purposes.

Why is my residency status for federal income tax purposes important?

For tax purposes, U.S. residents and non-U.S. residents are taxed differently, so it is important for you to determine your residency status. Non-U.S. residents are only taxed for income acquired during their stay in the U.S.

I am a foreign student at the University on an F-1 visa. I work for my department part-time and also receive monthly scholarship payments. Do I receive a W-2 for these payments?

You will be issued a W-2 and/or Form 1042-S from the University. All of your wages are reported on a Form W-2. Your scholarship payments are reported on the Form 1042-S.

I am a foreign national on a J-1 visa employed at the University as a Research Associate. Why don't I have any Social Security or Medicare wages reported on my Form W-2?

Nonresident alien employees visiting the U.S. for a limited period on an F-1 or J-1 visa and performing services for which such visas have been issued are exempt from Social Security and Medicare tax withholding.

I am a researcher in H-1B status. My colleagues who are also researchers are not paying Social Security taxes. Why do I have to?

U.S. Social Security and Medicare taxes apply to all compensation for employment services in the United States unless an exception is available. There is an exception for nonresidents in F-1 or J-1 status under Section 3121(b)(19) of the Internal Revenue Code. Your research colleagues qualify for this NRA FICA exception if they are J-1 researchers and are still nonresidents for tax purposes. There is no Code exception for H-1B status individuals.

I have been in the United States over 5 years as a student. Am I exempt from FICA?

A student in F-1 or J-1 Student status will become a resident alien in their 6th and subsequent calendar years if they meet the 183-day residency formula. Resident aliens do not qualify for the NRA FICA exception. However, foreign students are eligible for the Student FICA Exception under the same rules that apply to U.S. citizen students.

Who do I call if I have questions regarding Form 1042-S?

There are 3 source offices for the Form 1042-S, inquiries should be referred to the appropriate office as defined below. Refer to the Box 1 – Income Code on the Form 1042-S

- Income Code **16**: Fees & Scholarships Office, 140 Admin Bldg, 517-355-8380
- Income Code **19**: Payroll Office, 350 Admin Bldg, 517-355-5010
- Income Code **17 and any other income codes not listed here**: Accounting, 360 Admin Bldg, 517-355-5000