

2005 Year End Information for Employees

The following information pertains to year end tax form processing and renewal deadlines.

Verification of Information

All employees should review their pay stubs or direct deposit notifications prior to December 1 to confirm that the following information is accurate:

- Employee name and spelling
- Employee address
- Employee earnings and related tax deferred deduction balances

Any discrepancies must be reported immediately to the agency Payroll Office for correction.

Filing Amended W-4 and NC-4 Forms

Amendments to Current Forms

Employees must file an amended Form W-4, Employees' Withholding Allowance Certificate, and the North Carolina equivalent, Form NC-4, if their filing status, exemption allowances or exempt status has changed since the last filing of their Form W-4. These forms may be accessed from the IRS forms section of the following web site:

http://www.ncosc.net/sigdocs/sig_docs/payroll/index.html

Amended forms should be submitted to the agency Payroll Office prior to December 31, 2005 to be effective by January 2006.

Maintaining Exempt Status

Employees claiming "exempt" from withholding during 2005 on their Forms W-4 and NC-4 must complete new forms by February 15, 2006 to keep their "exempt" status. Employees that do not submit new forms by the deadline will be processed as single, with zero withholding allowances.

Form W-5, Earned Income Credit Advance Payment Certificate (EIC)

Employees who filed Form W-5 in 2005 will have their certificate expire on December 31. All employees who want to continue receiving advance payments of the earned income credit (EIC) must complete a new Form W-5 prior to January 1, 2006. This form may be accessed from the IRS forms section of the following web site:

http://www.ncosc.net/sigdocs/sig_docs/payroll/index.html

Form W-2, Wage and Tax Statement

Distribution and Content

Form W-2, Wage and Tax Statement, is distributed to all state employees by January 31, 2006. The form is submitted by employees to the federal and state governments when their income tax returns for 2005 are prepared. An employee may verify the W-2 information by comparing the reported numbers to the last payroll's year-to-date balances **unless** other adjustments are made to the employee's wages after the last monthly payroll for the year. The following components may be reported on the W-2 form:

Box/Code Identifier	Description or Calculation
Box d	Employee Social Security Number
Box e	Employee Name
Box f	Employee Address and ZIP Code
Box 1 Wages, tips other compensation	Gross Wages Less: Perquisites

	Less: Deferred Parking Costs Less: 401(k) Contributions (see Box 12 Code D) Less: 403(b) Contributions (see Box 12 Code E) Less: 457(b) Contributions (see Box 12 Code G) Less: All NC Health Benefit Contributions Less: All TriCare Health Benefit Contributions Less: All Flex Plan Contributions Add: Taxable Moving or Business Expense Reimbursements (see Box 12 Code L) Add: Value of group term life insurance over \$50,000 (see Box 12 Code C)
Box 2	Federal Income Tax Withheld
Box 3 Social Security Wages (Limited to \$90,000)	Gross Wages Less: All NC Health Benefit Contributions Less: All TriCare Health Benefit Contributions Less: All Flex Plan Contributions
Box 4	Social Security Tax Withheld
Box 5 Medicare Wages and tips	Gross Wages Less: All NC Health Benefit Contributions Less: All TriCare Health Benefit Contributions Less: All Flex Plan Contributions
Box 6	Medicare tax withheld
Box 9 Advance EIC payment	Amount Paid to Employee as Advance Earned Income Credit
Box 10	Section 125 Dependent Care Flex Plan Contributions
Box 12 Code C	Value of Group Term Life Insurance over \$50,000 (Imputed Income)
Box 12 Code D	Section 401(k) Contributions
Box 12 Code E	Section 403(b) Contributions
Box 12 Code G	Section 457(b) Contributions
Box 12 Code P	Excludable Reimbursed Moving Expenses (not reported in wages, Boxes 1, 3 or 5)
Box 16 State wages, tips, etc.	Gross Wages Less: Perquisites Less: Deferred Parking Costs Less: 401(k) Contributions (see Box 12 Code D) Less: 403(b) Contributions (see Box 12 Code E) Less: 457(b) Contributions (see Box 12 Code G) Less: All NC Health Benefit Contributions Less: All TriCare Health Benefit Contributions Less: All Flex Plan Contributions Add: Taxable Moving or Business Expense Reimbursements (see Box 12 Code L) Add: Value of group term life insurance over \$50,000 (see Box 12 Code C)
Box 17	State Income Tax Withheld

Employees should review the information printed on their W-2 form for accuracy.

Multiple Employers

Individuals employed by different state agencies during a calendar year will receive only one W-2 form if the employing agencies process payroll through the Central Payroll System. If the agencies utilize different payroll processing systems, the employee will receive a W-2 from each of the agencies.

Individuals that have multiple employers in a single year that operate different payroll systems will have different wage bases for FICA tax withholding. Consequently, employees that receive multiple W-2s and have total FICA subject wages in excess of the maximum earning limit (\$90,000) may be due a refund of overwithheld FICA taxes. Overwithheld FICA taxes are

refunded to the employee when the employee files a federal income tax return for the year. Information on the current FICA maximum earnings limitation is located at:

http://www.ncosc.net/sigdocs/sig_docs/payroll/OSCPXA09_2005_Quick_Tax_Calculation_Sheet.pdf

Replacement of W-2 Form

Any employee that does not receive a W-2 by January 31, or has an original form that is illegible or is lost, must contact their agency payroll office to request a replacement form.

Limitations on Replacements

Employees can request replacement W-2 forms for up to three previous calendar years without backup documentation. For employees that are still active on the payroll system, agency payroll staff can generate a new W-2 form online. Agency payroll staff must submit a written request to the Central Payroll Division for replacement W-2's if the employee is no longer active on the payroll system.

Individuals requesting a replacement W-2 form for years prior to the three previous calendar years must provide an audit letter from the IRS or NCDOR indicating the years for which replacement W-2 forms are needed.

Form W-2C, Corrected Wage and Tax Statement

Incorrect Name or Social Security Number

Corrections to W-2 forms are processed when an employee identifies an error on the original form(s) related to an incorrect name or social security number. The employing agency must submit a request to the Central Payroll Division for the issuance of a W-2C Corrected Wage and Tax Statement form along with the following:

- A clear photocopy of the employee's social security card
- A copy of all W-2 forms issued to the employee (if there are multiple forms)

Employees should retain the original incorrect form(s) because both the original and the W-2C forms must be submitted when the appropriate tax documents are filed by the employee.

W-2C forms are distributed in the same manner as the original W-2 form. **Under no circumstances will W-2C forms be faxed to an employee.**

The deadline for requesting a corrected W-2 form for the prior calendar year is June 1.

More information about W-2C forms is available at:

http://www.ncosc.net/sigdocs/sig_docs/payroll/W2-C_for_Soc_Sec_No_or_Name_Change.html

Overpayment to Employees

Corrections to W-2 forms are processed when the payroll agency staff identifies that an employee has been overpaid for the previous tax year. The employing agency must submit a request to the Central Payroll Division for the issuance of a W-2C Corrected Wage and Tax Statement form along with the following:

- A letter detailing the overpayment information
- A copy of the W-2 form issued to the employee
- A signed [Waiver Letter](#) from the employee stating that a claim for Social Security taxes previously withheld will not be filed by the employee

Employees should retain the original incorrect form(s) because both the original and the W-2C forms must be submitted when the appropriate tax documents are filed by the employee.

W-2 forms are distributed in the same manner as the original W-2 form. **Under no circumstances will W-2C forms be faxed to an employee.**

The deadline for requesting a corrected W-2 form for the prior calendar year is June 1.

Employee Information on Filing 2005 Tax Returns

Refund of Withheld Taxes

Even if an employee is not required to file a tax return, a return should be prepared to determine if a refund is due if Box 2 or Box 17 of the W-2 shows income tax withheld, or if the earned income credit can be taken.

Earned Income Credit (EIC)

An employee **MUST** file a tax return if any amount is shown in Box 9 of the W-2. The EIC for 2005 may be taken if:

- The employee has more than one qualifying child and the employee's earned income was less than \$35,263 (\$37,263 if married filing jointly),
- The employee has one qualifying child and the employee's earned income was less than \$31,030 (\$33,030 if married filing jointly), or
- The employee does not have a qualifying child and the employee's earned income was less than \$11,750 (\$13,750 if married filing jointly).

Both the employee and any qualifying children must have valid social security numbers. An employee **CANNOT** take the EIC if the employee's investment income is more than \$2,700.

Any EIC that is more than the employee's tax liability is refunded to the employee, **but only if a federal tax return is filed**. If there is at least one qualifying child, an employee may get as much as \$1,597 of the EIC in advance by completing Form W-5, Earned Income Credit Advance Payment Certificate, and giving it to the agency Payroll Office.

Credit for Excess Taxes

If an employee had more than one employer in 2005 and more than \$5,580 in social security taxes were withheld, the employee may be able to claim a credit for the excess against the employee's federal income tax. See Form 1040 or Form 1040A instructions and Publication 505, Tax Withholding and Estimated Tax for more information.

Corrections

If an employee's name and SSN are correct on the W-2 but are not the same as shown on the employee's social security card, the employee should ask for a new card at any SSA office or call 1-800-772-1213.