**Form W-2 Decoded!**

One of the most common questions payroll officers receive once the Form W-2s have been distributed is, “where do these amounts come from?” Below, please see a description of how each box on the Form W-2 is populated. Please use this as a guide when helping employees understand their Form W-2.

*\*Note that this list has been created to be specific to State of Colorado employees paid through Central Payroll in the Department of Personnel and Administration. Employees not paid through this office may have different information reported.*

**Box 1 – Wages, tips, other compensation**

This box reports the federal taxable wages earned by the employee. Federal taxable wages may include imputed income. Imputed income is wages that the employee doesn’t actually receive in the form of cash, but are added to taxable income. Examples include, but are not exclusive to, excess life insurance, taxable moving expenses, non-cash awards, etc.

Federal taxable wages are calculated by taking gross wages and reducing them by pre-tax deductions and the employee’s share of PERA. Examples of pre-tax deductions include (if elected by the employee):

• Health insurance

• Dental insurance

• Vision insurance (for non-classified insurance plans)

• Flex spending accounts (both health and dependent care)

• Contributions to a retirement account such as a 401k, 457, or 403b

• Commuter deductions such as parking or Eco-pass

**In summary: Box 1 = Gross wages + imputed income – pre-tax deductions – Employee’s PERA**

**Box 2 – Federal income tax withheld**

This box reports the year-to-date amount of federal tax withheld from an employee’s paycheck. This amount is based on the amount of federal wages earned and what the employee claimed on their W-4 including additional withholding amounts.

**Box 3 – Social Security wages**

No amount will be reported in box 3 because State of Colorado employees are not subject to social security withholding.

**Box 4 – Social Security tax withheld**

No amount will be reported in box 3 because State of Colorado employees are not subject to social security withholding.

**Box 5 – Medicare wages and tips**

This box reports the Medicare wages earned by the employee. Medicare wages are gross wages reduced by pre-tax deductions only. Examples of pre-tax deductions include (if elected by the employee):

• Health insurance

• Dental insurance

• Vision insurance (for non-classified insurance plans)

• Flex spending accounts (both health and dependent care)

• Commuter deductions such as parking or Eco-pass

Employees who have been continually employed with the State of Colorado prior to April 1, 1986 may not have any wages reported in box 5.

**In summary: Box 5 = Gross wages + imputed income – pre-tax deductions**

**Box 6 – Medicare tax withheld**

This box reports the year-to-date amount of Medicare that was withheld from the employee. This amount made up of the amount in box 5 multiplied by 1.45%.

Employees who have been continually employed with the State of Colorado prior to April 1, 1986 may not have any wages reported in box 6.

**In summary: Box 6 = Box 5 x 1.45%**

**Box 7 – Social Security Tips**

No amount will be reported in box 7 for State of Colorado employees

**Box 8 – Allocated Tips**

No amount will be reported in box 8 for State of Colorado employees

**Box 9 – (No longer used)**

Box 9 on Form W-2 is no longer used.

**Box 10 – Dependent Care Benefits**

This box reports the amount of money that an employee contributed into a flex dependent care account on a pre-tax basis. Any amount over $5,000 is also included in box 1.

**Box 11 – Nonqualified Benefits**

No amount will be reported in box 11 for State of Colorado employees

**Box 12**

This box will report codes that will vary by employee. The Form W-2 for State of Colorado employees has space to report four (4) codes. If an employee has more than four codes to be reported on their W-2, they will receive two W-2s. The second W-2 will only have information in box 12 and not any other boxes. Below are the possible codes that a State of Colorado employee may see:

• **Code C** – Taxable cost of group-term life insurance over $50,000 (included in boxes 1 and 5).

• **Code D** - Elective deferrals to a section 401(k) cash or deferred arrangement. Also includes deferrals under a SIMPLE retirement account that is part of a section 401(k) arrangement.

**• Code E** - Elective deferrals under a section 403(b) salary reduction agreement.

• **Code G** - Elective deferrals and employer contributions (including non-elective deferrals) to a section 457(b) deferred compensation plan.

• **Code W**– Employer and Pre-Tax Employee contributions to your health savings account (HSA).

**Code AA** – Designated Roth Contributions under a section 401 (k) plan.

• **Code DD** - Cost of employer-sponsored health coverage. **The amount reported with Code DD is not taxable.**

**Code EE** – Designated Roth contributions under a governmental section 457 (b) plan. This amount does not apply to contributions under a tax-exempt organization section 457 (b) plan.

**Box 13**

All State of Colorado employees will have a check mark in the “Retirement Plan” box in box 13 regardless if they were temporary or permanent employees (except for students working at the Colorado School for the Deaf and Blind). PERA retirees working after retirement will also have box 13 checked.

If the “Retirement plan” box is checked, special limits may apply to the amount of traditional IRA contributions an employee may deduct from their personal income taxes.

The “Statutory Employee” and “Third-party sick pay” check boxes *will not* be checked for any State of Colorado employee on their W-2 that they receive from the state.

**Box 15 – State & State ID No.**

This box will contain the two character abbreviation and the state ID number for the state in which the employee was taxed. If an employee was taxed in more than one state throughout the calendar year, they will receive 2 (or more) W-2s.

**Box 16 – State wages, tips, etc.**

For employees who performed their work within the state of Colorado, box 16 will equal the amount in box 1 and is calculated in the same manner. Other states may calculate their taxable wages with a different method.

**Box 17 – State income tax**

This box reports the year-to-date amount of state tax withheld from an employee’s paycheck. This amount is based on the amount of state wages earned and what the employee claimed on their W-4 including additional withholding amounts.

**Box 18 – Local wages, tips, etc.**

This box will be blank for employees who performed work within the state of Colorado. Occupational Privilege Tax (OPT) withholding in the state of Colorado is not considered an income tax and therefore is not reported on the Form W-2. OPT localities within Colorado include: Denver, Aurora, Greenwood Village, Glendale, and Sheridan.

Employees who worked outside the state of Colorado may have local tax information reported on their Form W-2.