

Chapter 800 - Reporting

Subchapter 01 - Reporting

80001.801 State Reporting Responsibilities

A. PRE-1987

Prior to 1987, SSA was responsible for ensuring that each State paid the correct amount of Social Security contributions for all employees covered under its Section 218 Agreement. The State Social Security Administrators were responsible for ensuring that State and local government employers filed timely and accurate returns and that they collected and paid the proper amount of Social Security and Medicare contributions to the Federal government.

With few exceptions, all required wage reports have been filed by all States for years prior to 1987 and all audits closed. Therefore, information regarding the reporting of pre-1987 wages, liability, auditing, adjustments and corrections to pre-1987 wage reports is not included in the SLCH. However, this information is still pertinent with respect to wages paid before 1987. Similarly, the statute of limitations rules concerning the extent of time under which States are held liable for contributions on wages paid prior to 1987 are not included in the SLCH.

B. POST-1986

Effective January 1, 1987, Public Law 99-509 transferred responsibility for collecting FICA taxes for wages paid under Section 218 Agreements from SSA and the States to the IRS. State and local employers are required to file quarterly Form 941, Employer's Quarterly Federal Tax Return, with IRS. IRS is responsible for collecting Social Security and Medicare taxes, verifying the amount owed and determining that the amount owed has been deposited.

The following subsections of Section 218 of the Act were repealed but still remain applicable to wages paid before 1987:

- Section 218(e)-Payments and Reports by States
- Section 218(h)-Deposits in Trust Funds
- Section 218(i)-Regulations
- Section 218(j)-Failure to Make Payments
- Section 218(q)-Time Limitation on Assessments
- Section 218(r)-Time Limitation on Credits and Refunds
- Section 218(s)-Review by Secretary
- Section 218(t)-Review by Court
- Section 218(w)-Payments of Medicare Tax.

Although the State's liability and collection responsibility ended after 1986, States are still responsible for resolving Social Security payment and wage reporting questions concerning wages paid before 1987.

80001.805 State's Request for Review (Pre-1987)

Before 1987, Section 218(s) of the Act allowed a State to request administrative review of the following types of determinations issued to the State on wages paid prior to 1987:

- an assessment by SSA of an amount due;
- an allowance of a credit or refund of an overpayment; or
- a disallowance of a State's claim for credit or refund.

The State had to file the request for review within 90 days after notification from SSA of the determination. Section 218(t) of the Act provided States the right to appeal SSA's decision on the above determinations in Federal court within 2 years of receiving the section 218(s) decision.

Although Sections 218(s) and (t) of the Act were repealed, Section 218(t) still applies to determinations SSA issued pursuant to section 218(s) and the 2 year period for filing an appeal in Federal court has not expired.

80001.810 SSA Responsibilities

- Review and process Section 218 Agreements and modifications;
- Define and resolve issues related to Social Security coverage and benefits, including but not limited to, defining wages for Social Security coverage purposes;
- Determine the amount of wages placed on an individual's Social Security and Medicare earnings record, and correct erroneously posted amounts, as required by law;
- Review Social Security and Medicare coverage, ensuring proper Social Security coverage and benefit payments;
- Receive and process annual wage reports (IRS Forms W-2 and W-3 data) from employers;
- Answer reporting questions from employers, whether filing via *e-file*, magnetic media, or paper; and assist employers in reporting correctly; and
- Assist employers with reconciliation of Forms W-2 data with Form 941 totals.

80001.815 IRS Responsibilities

- Advise and enforce reporting requirements for Social Security and Medicare taxes;
- Advise and enforce withholding and depositing requirements for Social Security and Medicare taxes;
- Receive and process Forms 941;
- Audit and collect Social Security and Medicare taxes;
- Define and resolve employment tax liability issues;
- Determine FICA refund requests; and
- Advise SSA and State Administrators of tax issues, clarify issues; and respond to questions from SSA, State Administrators and employers on tax matters.

80001.820 SSA Responsibilities

Prior to 1987, SSA assigned 69-numbers to identify State and local entities and interstate instrumentalities that obtained Social Security coverage under a Section 218 Agreement. Since SSA was responsible for processing the wage reports and accounting for the Social Security contributions paid by State and local government employers, SSA assigned a 69 employer identification number (EIN) for reporting and record keeping purposes. The 69-numbers were used through tax year 1986.

Beginning with wages paid after 1986, State and local government employers with Section 218 Agreements report Social Security and/or Medicare Qualified Government Employment (MQGE) wages under their IRS-assigned employer identification numbers (EINs).

Some States, on their own, assign and use 69-numbers for administrative recordkeeping purposes. If a State uses a 69-number and submits a modification that extends coverage to one or more years prior to 1987, the State should notify the SSA regional office (RO) in a cover letter what 69 number(s) should be used for the newly covered entity. However, the State needs to provide in the modification the EIN number assigned by IRS.

If retroactive coverage involves periods prior to 1987, the State needs to make the deposit with a Federal Reserve Bank or branch in the same manner that pre-1987 deposits were made. This is because those sections of Section 218 of the Social Security Act that were repealed by Public Law 99-509 are still in effect for pre-1987 years. If the State experiences problems with a FRB deposit, contact the SSA Office of Earnings and Information Exchange at 410-965-7872.

80001.825 Earnings Records for Tax Years 1978-1981

Prior to tax year 1982, State and local employers reported Social Security wages to SSA on a separate Form SSA-3963 (State's Report of Wages Paid) and used SSA-issued 69-numbers. Wages for 1978-1980 were reported on a quarterly basis; tax year 1981 was reported as an annual amount. Forms W-2, using an IRS assigned EIN, were also given to those employees for the same tax years to report income taxable wages, etc. SSA processed the forms SSA-3963 and posted the Section 218 Social Security covered wage information to the covered wage part of the earnings record under the 69-numbers and recorded the total compensation amounts from the W-2s to the noncovered part of the earnings record for the same employees and same tax years under the IRS-assigned employer identification number (EIN).

Therefore, for tax years 1978-1981, State and local employees in positions covered by a Section 218 Agreement, who were reported both on forms 3963 and timely filed forms W-2, have wages posted in both the covered and noncovered sections of the SSA earnings record. The fact that wages are posted as noncovered on the earnings record for those years does not mean an employee's earnings record is incorrect or that covered wages are missing. The reported wages covered by Section 218 are posted on the SSA earnings records as covered wages and are used to determine each individual's eligibility for Social Security and Medicare benefits.

State and local government employers reported Social Security covered wages for employees covered by a Section 218 agreement, using the SSA-issued 69-employer identification numbers until tax year 1986.

When an individual receives a Social Security Statement, only covered Social Security and Medicare wages are reflected on the Statement.

80001.830 Correction Reports

A. PAPER REPORTS

SSA publishes guidelines for correcting Forms W-2 and W-3. (*Software Specifications and Edits for Correcting Annual Wage Reports*, prescribes specifications and edits for paper Forms W-2c and W-3c reports.) To download this publication, visit the SSA web site at www.socialsecurity.gov/employer.

Or, write to:

Social Security Administration
Office of Financial Policy and Operations
Attn: AWR Software Standards
P.O. Box 17195
Baltimore, MD 21297-1195

B. MAGNETIC MEDIA OR ELECTRONIC REPORTS

Specifications for filing Form W-2c on magnetic media or electronically are contained in SSA's MMREF-2, Magnetic Media Reporting and Electronic Filing of W-2c Information. To download the MMREF-2, visit the SSA web site at www.socialsecurity.gov/employer. To obtain a copy of the MMREF-2, call the SSA Employer Reporting Branch at 1-800-772-6270.

Information about Forms W-2c magnetic media filing instructions, electronic filing, selected IRS and SSA forms and publications, and general topics about information reporting is also available from SSA's Business Services Online (BSO). BSO can be accessed from the SSA web site shown in the preceding paragraph.

To submit Forms W-2c on magnetic media or electronically, contact the SSA Employer Service Liaison Officer (ESLO) for your state. Call 1-800-772-6270 for your State's ESLO phone number. Employers in the U.S. Virgin Islands may call 787-766-5574. Employers in American Samoa and Guam may call 510-970-8247.

C. SPECIFIC INSTRUCTIONS FOR PREPARING CORRECTIONS

If an employer filed more than one original Form W-2 for an employee under the same employer identification number (EIN), there are two ways an employer can prepare a correction:

- Employer can file a correction report that corrects a single Form W-2 report; or
- Employer can reflect the wage totals of all the previously submitted Forms W-2 and W-2cs that were submitted under the same 9-digit employer identification number (EIN) for this same employee. Include the (SSN) for that same employee, (SSN) for that same tax year, and the type of employment. (However, State, local and Federal government employers should follow the special instructions below for 1991 and later years when correcting just Social Security wages and/or tips and MQGE wages are involved.) (Also show the establishment number if you showed it on the original Form W-3 wage report. This is a 4-digit number that employers can optionally use to identify a separate reporting office.) Enter in "Previously reported" column of the Form W-2c field(s)

being corrected, the total of the wages from all the Forms W-2 that you prepared for that same SSN, etc. Similarly, the “Correct information” column should reflect the aggregate totals for the correct and amounts.

80001.835 Corrections for Tax Years Before 1991

Show corrections for Social Security and Medicare (full-FICA) wages, tips or taxes in the boxes labeled, Social Security tax withheld, Social Security wages and Social Security tips only.

To show corrections for MQGE wages:

- Paper reports: show changes in boxes labeled Medicare wages and tips and Medicare tax withheld.
- Magnetic media reports: refer to MMREF-2 publication and contact your State’s ESLO, if necessary.

If reporting MQGE wages for tax year 1986, report the wages under the IRS Employer Identification Number (EIN). Do not use the 69 number.

80001.840 Corrections for Tax Years 1991 and Later

Forms W-2c correcting only Social Security wages and/or Social Security tips for an employee previously reported for MQGE/Medicare for 1991 or later must show the total MQGE/Medicare wages previously reported in both the “Previously reported” and “Correct information” Medicare wages and tips fields, even if there is no change to the MQGE/Medicare wages and tips previously reported.

80001.845 Reporting Back Pay to SSA

Back pay is pay received in one period for actual or deemed employment in an earlier period. For Social Security coverage and benefit purposes, all back pay, whether or not under an appropriate statute, is wages if it constitutes remuneration paid for covered employment. Amounts determined to be damages for personal injury, interest, penalties, or legal fees, paid in conjunction with back pay awards are not wages. The employee need not have worked during the period in question for a back pay award to be considered wages. If a back pay wage award is not under a statute, SSA credits back pay as wages in the year paid. Back pay not under a statute cannot be allocated to prior periods. However, if the back pay was awarded under a statute, SSA credits the back pay award to the year(s) it should have been paid.

For information on how to report back pay under a statute to IRS and SSA, obtain a copy of IRS Publication No. 957, *Reporting Back Pay and Special Wage Payments to the Social Security Administration*. This is available on the IRS web site at www.irs.gov.

80001.850 Reporting Election Workers

If an election worker’s compensation is less than a statutorily established amount (\$1,200 for calendar year 2004), it is generally not subject to Social Security and Medicare tax. However, under a State’s 218 Agreement an election worker’s compensation may be subject to Social Security and Medicare taxes at a level below the statutory amount.

If an election worker’s compensation is subject to withholding of Social Security and Medicare tax, Form W-2 reporting is required for all compensation, regardless of the amount. If an election worker’s compensation is not subject to withholding of Social Security and Medicare tax, Form W-2 reporting is required

for payments that aggregate \$600 or more in a calendar year. See Revenue Ruling 2000-6 for information on reporting election workers.