

M E M O R A N D U M

OFFICE OF THE DIRECTOR OF FINANCE - CENTRAL PAYROLL DIVISION



**Central Payroll**  
CITY OF PHILADELPHIA



**Date:** January 24, 2023  
**To:** All Agencies, Boards, Commissions and Departments  
**From:** Valerie D Hayes, Deputy Finance Director of Payroll *VDH*  
**Subject:** 2022 - W-2's

Attached on the COP HR Employee Self-Service page is a PDF of your 2022 W-2 Form. The W-2 Form has four sections: **Copy B** (first) is to be filed with the employee's Federal Tax Return, **Copy C** (second copy) is the employee's copy, **Copy 1** (third copy) is to be filed with the employee's State, City, or Local Income Tax Return and **Copy 2** (fourth copy) is a replica of Copy 1.

The following is an overview of the specific boxes on the W-2 Form:

**Box 1 - Wages, Tips and Other Compensation** - this amount represents the employee's taxable wages for federal tax purposes.

**Excluded** from this amount are employee payroll deductions for:

- *Employee Pension Contributions;*
- *Employee Deferred Compensation Contributions (Normal, 50+ and Catch-up);*
- *Employee Flex Salary Reductions;*
- *Qualifying Employee Medical Coverage Deductions;*
- *Qualifying Employee Transit Expense Deductions;*
- *Employee Deductions for Dependent Care for Members of DC 33 and DC 47, which are only taxable for state and city purposes;*
- *Wages of employees who received **reduced salaries** because of service connected injuries; and,*
- *Wages of Uniformed Employees who received **full salary** for service connected injuries qualified under the Heart and Lung Act.*

**Included** in wages are other non-salary compensation which the employee may have had during the year, namely:

- *Auto Usage Allowance;*
- *Imputed Income from Life Insurance Coverage;*
- *Flex Cash Payments;*
- *Employer paid Group Legal Coverage;*
- *Nondeductible Moving Expense Reimbursements;*
- *Imputed Value of Health Insurance Coverage for Domestic Partners (if applicable);*
- *Employee Payroll Contributions to Dependent Care Spending Accounts made during the year in excess of \$5,000.00; and*
- *Imputed Value of Extended Health Care Coverage obtained by converting Sick Leave Balance at termination (IRS Revenue Ruling 75-539).*

Employees, other than Uniformed employees, who received full pay and accrued benefits while on sick or Injured on Duty (IOD) status will have those earnings **included** in taxable wages. The Internal Revenue Service considers full salary, fringe benefits and leave accruals paid to an employee to be full compensation and therefore fully taxable.

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### **Box 3 - Social Security Wages:**

This box consists of Social Security wages earned during the year. The maximum Social Security wages on which taxes were taken last year was \$147,000. Excluded from Social Security Wages are:

- *Employees' Qualifying Medical Coverage Deductions;*
- *Flex Salary Reductions;*
- *Dependent Care Deductions for District Council 33 and District Council 47 employees, and,*
- *Qualifying Employee Transit Expense Deductions.*

### **Box 4 – Social Security Tax Withheld:**

This box represents the amounts paid by employees for Social Security. The tax withholding rate last year was 6.2% and the maximum Social Security Tax withheld this year for any individual was \$9,114.

### **Box 5 - Medicare Wages:**

This box consists of Medicare wages earned during the year. The Internal Revenue Service has imposed a "no limit" on the amount of earnings taxed for Medicare purposes. As in the case with Social Security, employee's qualifying medical coverage deductions, flex salary reductions, District Council 33 and District Council 47 employee deductions for Dependent Care and qualified transit expense deductions are excluded from Medicare wages.

### **Box 6 - Medicare Tax Withheld:**

This amount represents the employees' payments of the Medicare tax made last year. The 2021 Medicare tax rate was 1.45%. In addition to the normal 1.45% rate, employees earning over \$200,000 [as a single filer], are subject to an Additional Medicare Tax Withholding of 0.9% against the excess earnings.

### **Box 10 - Dependent Care Benefits:**

The amount in this box represents an employee's contribution to a Dependent Care Spending Account. Amounts contributed that exceed \$5,000.00 are added to Wages in Box 1 since they are considered taxable by the Internal Revenue Service.

### **Box 12 - Informational:**

This box is used to reflect miscellaneous earning types, fringe benefits and deferred compensation. City of Philadelphia W-2's will reflect up to five types of data in this block, namely:

- C** – *Taxable cost of group-term life insurance, the imputed value of life insurance over \$50,000; (included in boxes 1, 3 (up to the Social Security wage base), 5 along with 16-State and 18-City)*
- G** – *Elective deferrals – 457 Deferred Compensation Plans: Flat, Catch-up and 50 Plus Catch-up*
- J** – *Non-taxable sick pay (informational only, not included in boxes 1, 3 and 5)*

**DD** – *Employer Sponsored Health Care Coverage – **FOR INFORMATIONAL PURPOSES ONLY.** Beginning with tax year 2012 the Affordable Care Act requires the city to report the cost of coverage under an employer-sponsored group health plan. Reporting the cost of health care coverage on the Form W-2 does not mean the coverage is taxable. This reporting will provide employees useful and comparable consumer information on the cost of their health care coverage. The amount in Box 12 DD includes the portion paid by the employer and the portion paid by the employee. Costs for dental and vision plans are not included in Box 12 DD.*

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### **Box 14 – Other:**

The **Pension Life-to-date** is the employee's non-federally taxed Pension contributions made from the beginning of an employee's employment with COP.

The **Pension Year-to-date** is the employee's non-federally taxed Pension contributions made during the past year.

The **PA UC Tax** represents the amount of tax that was withheld from an employee's earnings that were subject to the Pennsylvania Unemployment Compensation Tax Act. (*Exceptions include Elected Officials and Cabinet Members*)

The **Sick-To-Med** is the Imputed Value of Extended Health Care Coverage obtained by converting Sick Leave Balance at termination (IRS Revenue Ruling 75-539).

The **Terminal Leave Pay** is the unused accumulated leave time paid out to employee upon retirement.

### **Box 16 - State Wages, Tips, etc.:**

Amounts in this box represent the employee's total gross wages subject to Pennsylvania income tax.

This includes:

- *Employee Flex Salary Reductions used for Dependent Care Spending Accounts – (valid Pre-Tax deduction for State)*
- *Pension Deductions;*
- *Deferred Compensation Deductions;*
- *DC 33 and DC 47 Employee Deductions for Dependent Care Spending Accounts;*
- *Employee Deductions for Medical Coverage – (valid Pre-Tax Deduction for State)*
- *Imputed Life Insurance Income;*
- *Nondeductible Moving Expense Reimbursements;*
- *Imputed Value of Health Insurance Coverage for Domestic Partners; and,*
- *Employer provided Group Legal Coverage.*

The State does not consider the following earnings as taxable. Therefore, these amounts are excluded from the State Wages box:

- *Auto Usage Allowance;*
- *Employee Flex Salary Reductions for other than Dependent Care Spending Accounts;*

### **Box 18 - Local Wages, Tips, etc.:**

Local wages represent an employee's total gross earnings subject to the City Wage Tax. Local wages comprise all the items enumerated above (both included and excluded) for State Wages.

State tax reductions are allowed for Medical, Health Care and Dependent Care Accounts.

As requested, departments are responsible for providing instructional guidelines to help employees navigate their W-2 Form. Prior to 2019, departments are responsible for reissuing any W-2 Forms for periods between 1997 through 2018 to any active or ex-employee that request a replacement. Access to W-2 Forms before 2019 can be found on page 8 of the legacy Payroll System, menu item titled '*W-2 Inquiry by Employee*'. **Departments are to use the imaging system to obtain copies of lost or misplaced 2012 through 2018 W-2 Forms.** Departments have been instructed by OIT on how to access the imaging system and obtain necessary passwords.

Active employees can log in to COP HR Employee Self Service to independently access their W-2 Forms from 2019 forward. Department HR representatives can obtain a copy of an active employee's W-2 Form from 2019, forward by way of the Oracle COP HR Manager Self Service.