



## YOUR 2011 W-2

### What You Need To Know!

If you pay a deduction to the State Retirement System, remember to include the State Pickup Amount from the first line of box 14 labeled "STPICKUP" of your W-2 on your Maryland tax return!

### State Pickup Amount

If an entry labeled as "STPICKUP" appears on the first line in box 14 of your W-2, you must enter that amount on line 3 of Maryland Form 502 or line 19 of Maryland Form 505 and enter code "G." The pickup amount is the mandatory retirement deductions that you paid during the year that are not subject to federal tax, but are subject to Maryland state and local tax. If you are due a refund on your Maryland tax, failure to add the "state pickup amount" on your 502 or 505 Maryland tax return may result in your refund being delayed.

Important: If you made contributions to the State Employees' or State Teachers' pension or retirement systems, the State Maryland School for the Deaf - Modified, the State Police Retirement System, the Judges' Retirement System, the Legislative Retirement System, or the DNR Police Pension or Retirement systems during 2011, you cannot file Maryland Form 503. You must file either Form 502 (for residents) or Form 505 (for nonresidents).

### Payroll Online Service Center!

**[www.marylandtaxes.com](http://www.marylandtaxes.com) - click On-Line Services - click POSC**

The Payroll Online Service Center (**POSC**) provides services that have been requested by state employees. You can obtain duplicate copies of your current and prior year W-2, update addresses and direct deposit, and view current & prior year pay stubs.

The system is designed for use by all State government active and recently retired employees who are / were paid by the Central Payroll Bureau; and for use by authorized State government payroll representatives.

First time users are required to execute the Sign Up process. This requires some personalized data and unique information found on your most recent pay stubs (pay stub information received within the last 8 weeks, may be used). This process will help you generate a **Logon ID and Password** that will be used each subsequent time you access the **POSC**.

## **\*\*\*\*New Health Plan Cost Reporting for 2011\*\*\*\***

The Patient Protection and Affordable Care Act of 2010 requires that employers report the total aggregate cost of group health plan coverage to their employees annually on their W-2s. Although this cost is included on the W-2 (in Box 12, under Code DD), it is informational only and is not included in taxable income. The aggregate cost of coverage that is reported on the W-2 is based on what you pay toward the Pharmacy plan, Basic Health Insurance, and the subsidized amount the State of Maryland pays toward your plan coverage.

## **Comparing Your Last Pay Stub To Your W-2**

When you look at your W-2 form and your final pay stub, the numbers may not look the same. There is a reason, and it's to your benefit. Here's why!

Your pay stub is a statement of what you actually earned in wages and paid in taxes and deductions. It is also a statement of what the state paid in fringe benefits. Your W-2 is a wage statement that reports the taxable portion of your earnings to federal and state governments. To understand how we arrive at these figures let's take a look at the following areas.

### **1. Tax sheltered deductions**

During the past calendar year, deductions for dental, pharmacy plans, health insurance and certain other voluntary deductions were exempt from all federal, Social Security (FICA) and state and local taxes. In addition, mandatory employee contributions to some retirement programs have been exempt from federal income tax, but not from Maryland income tax or Social Security (FICA). Some other voluntary deductions, such as deferred compensation, are not subject to federal or state and local tax, but are subject to Social Security tax.

### **2. Wages subject to Social Security taxes**

Deferred compensation contributions are subject to Social Security tax. Your deferred compensation is shown in box 12a through 12d of the W-2 form along with a federal identification code.

### **3. Wages subject to Federal income taxes**

The amount shown in box 1 on your W-2 form is the amount that you report on your federal income tax return.

### **4. Wages subject to Maryland income taxes**

The amount shown in box 16 on your W-2 statement represents your Maryland state taxable wage. The State Pickup Amount (first line on box 14 of the W-2) should be reported on line 3 of the Maryland Form 502 or line 19 of the Maryland Form 505. Remember to enter code "G" to indicate State Pickup on Form 505.

**You cannot use Form 503 if you must enter the State Pickup Amount.**

# How Did We Arrive At The Taxable Amounts Reported On Your W-2?

This example will help you compare figures on your W-2 and final pay stub. Look at the final pay stub in the example:

Employee's Earnings Statement				Name		Document ID	
STATE OF MARYLAND COMPTROLLER OF MARYLAND 240109 CENTRAL PAYROLL BUREAU				COMPTROLLER, CATHY M		RG9999	
Regular Pay Rate		Pay Period Ending Date		Check/Advice Number			
2241.15		12-13-2011		12345678			
Mar. Stat.	Fed. Ex.	Additional Fed. Tax	St. Ex.	Additional St. Tax	County Code		
M	0		0		BC		
MD FILING STATUS: MARRIED							
EARNINGS				TAXES/DEDUCTIONS			
	HOURS	CURRENT	YEAR TO DATE		CURRENT	YEAR TO DATE	
REGULAR	80.0	2241.15	41445.93	FEDERAL TAX	196.82	3711.57	
*ST PD BENEFITS				FICA/MED	114.23	2121.31	
FICA SUBSIDY		154.66	2872.21	STATE TAXES	152.06	2824.71	
PHARMACY SUB		158.06	2687.02	PHARMACY PLAN	39.52	671.84	
DENTAL SUBSIDY		21.79	351.95	HLTH CARE ACCT	25.00	275.00	
RET/PEN SUB		270.96	4995.64	DEPN CARE ACCT	50.00	1210.00	
UNEMPL INS SUB		5.66	105.11	UCC DENTL DPPO	21.80	352.12	
HEALTH INS SUB		388.22	6492.34	AD & D PLAN	1.40	23.80	
				TERM LIFE INS	2.25	38.25	
				ADDIT TERM INS	4.68	32.76	
				ST EMP ALT PEN	155.72	2335.82	
				DEF COMP	32.00	552.00	
				DIR/DEP-CHKNG	979.16	18614.24	
				UHC POS	79.51	1329.71	
				ST EMP CRED UN	337.00	6403.00	
				MD CHARITY	50.00	950.00	

  

Current	Earnings	Taxes	Deductions	Net Pay
	2241.15	463.11	798.88	979.16
Year To Date	41445.93	8657.39	14174.30	18614.24

COMPTROLLER, CATHY  
9999 SOMEWHERE STREET  
BALTIMORE MD 21213

The year to date (YTD) earnings are \$41,445.93. The employee in the example actually earned \$41,445.93. Of that money, the amount that will be reported on the W-2 is different because of tax sheltering, pretax deductions and the state pickup amount (see #4 on the previous page, "Wages subject to Maryland income tax"). It is important to understand that your final pay stub is your record of the actual wages you earned, the taxes and deductions you paid. The W-2 is a statement of only the taxable portion of those earnings that are reported to the taxing authorities.

\$34,657.39 was subject to federal income tax (Box 1 of the W-2)

\$37,545.21 was subject to Social Security (FICA/MED) tax (Box 3 and 5 of the W-2)

\$34,657.39 was subject to Maryland income tax (Box 16 of the W-2) as is the \$2,335.82 (first line STPICKUP" of box 14 on the W-2).

## 1. Compare figures on your W-2.

a Control number 0000001		b Employer identification number 52-6002033		<b>Copy C For Employee's Record</b> (See Notice on Back of Copy "B") OMB No. 1545-0008 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.					
c Employer's name, address, and ZIP code <b>STATE OF MARYLAND CENTRAL PAYROLL BUREAU P.O. BOX 2396 ANNAPOLIS, MD 21404-2396 52-6002033 S.S.# 69-0520001L</b>				1 Wages, tips, other compensation <b>34,657.39</b>		2 Federal income tax withheld <b>3,711.37</b>			
				3 Social security wages <b>37,545.21</b>		4 Social security tax withheld <b>1,576.91</b>			
				5 Medicare wages and tips <b>37,545.21</b>		6 Medicare tax withheld <b>544.41</b>			
				7 Social security tips		8 Allocated tips		9 Advance EIC payment <b>G 552.00</b>	
d Employee's social security number 999-99-9999				10 Dependent care benefits 12b Code <b>DD 11,180.91</b>		11 Nonqualified plans 12c Code <b>12d Code</b>			
e Employee's name, address, and ZIP code <b>CATHY COMPTROLLER 9999 SOMEWHERE STREET BALTIMORE MD 21213</b>				13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		14 Other <b>STPICKUP 2,335.82</b>			
				15 State Employer's state ID number <b>MD 52-6002033</b>		16 State wages, tips, etc. <b>34,657.39</b>		17 State income tax <b>2,824.71</b>	
				18 Local wages, tips, etc.		19 Local income tax		20 Locality name	

**Form W-2 Wage and Tax Statement 2011** Department of the Treasury - Internal Revenue Service

These total tax sheltered deductions, plus the amounts shown in box 1 of form W-2 will total the year-to-date earnings reported on the final pay stub:

Box 1 of W-2	\$34,657.39
Sheltered Deductions	<u>+6,788.54</u>
Y-T-D Earnings	\$41,445.93

## 2. With the final pay stub:

The final pay stub lists the following year-to-date federal tax sheltered deductions:

Pharmacy Plan	\$671.84
UCC Dental DPPO	352.12
Health Care Acct	275.00
Depn Care Acct	1,210.00
AD&D	23.80
Term Life Ins.	38.25
St Emp Alt Pen	2,335.82
Def Comp	552.00
UHC POS (Health)	<u>+1,329.71</u>
	\$6,788.54

## 3. Wages subject to Social Security taxes

Deferred compensation and retirement/pension contributions are subject to Social Security tax. The amount of deferred comp, in this case \$552.00, is shown in box 12a of the W-2 form, along with a federal identification code. The federal identification code can be found on the back of the W-2 Statement. The retirement/pension contribution of \$2,335.82 is exempt from federal but not Social Security and Medicare (FICA). To reconcile the amount of Social Security wages reported in boxes 3 and 5 of your W-2, subtract only the FICA exempt deductions from the year-to-date earnings shown on your final pay stub. In the example, Social Security (FICA) tax must be withheld on \$37,545.21

Y-T-D Earnings	\$41,445.93
Pharmacy Plan	671.84
UCC Dental DPPO	352.12
Health Care Acct	275.00
Depn Care Acct	1,210.00
AD&D	23.80
Term Life Ins.	38.25
UHC POS (Health)	<u>1,329.71</u>
Boxes 3 and 5 S.S. Wage/Med Wage	\$37,545.21

## 4. Wages subject to Federal income tax

The amount shown in box 1 on your W-2 form is the amount that you report on your federal income tax return. Box 1 does not include the total aggregate health cost amount shown on the W-2 in box 12, code DD.

## 5. Wages subject to Maryland income tax

To reconcile your W-2 Maryland state wage box 16 to your year-to-date amount on your final pay stub, follow the steps below.

Add the total Maryland tax sheltered deductions and the retirement deduction (which is added back to the state wage amount from the State Pickup amount shown in box 14), plus the amounts shown in box 16 of the W-2. The total reflects year-to-date earnings reported on the final pay stub:

Box 16 of W-2	\$34,657.39
Retirement (STPICKUP) Deduction	+2,335.82
Maryland Sheltered Deductions	+4,452.72
Y-T-D Earnings	<u>\$41,445.93</u>

In this example the final pay stub lists the following year-to-date Maryland tax sheltered deductions:

Pharmacy Plan	\$671.84
UCC Dental DPPO	352.12
Health Care Acct	275.00
Depn Care Acct	1,210.00
AD&D	23.80
Term Life Ins.	38.25
Def Comp	552.00
UHC POS (Health)	+1,329.71
	<u>\$4,452.72</u>

## 6. Mandatory retirement deductions and the Maryland state pickup amount

The final pay stub also lists the year-to-date amount for any mandatory retirement deductions that you paid during the year that are not subject to federal tax, but are subject to Maryland state and local tax. The state pickup amount is reported in box 16 as a reduction, but it is treated as an addition to Maryland state wages when preparing your Maryland tax form. The State Pickup Amount on your W-2 should be reported on line 3 of the Maryland Form 502 or line 19 on Maryland Form 505. Remember to use code "G" to indicate the amount is the State Pickup on Form 505.

Although this is a simplified example, it applies to most state employees and is a useful model for most situations. If you have other kinds of deductions and have questions about how they are handled, contact Central Payroll at 410-260-7964 from Central Maryland or 1-888-674-0019 from elsewhere in Maryland.

### **You may be eligible for an Earned Income Credit!**

The Earned Income Credit (EIC) helps low-income workers stay afloat with cash payments. You may be eligible for the program on your federal and Maryland income tax return if you earned less than:

**\$13,660 with no children**  
**\$40,964 with two children**

**\$36,052 with one child**  
**\$43,998 with three or more children**

To find out more about the Earned Income Credit call the Maryland Comptroller's Taxpayer Service Unit – 410-260-7980 from Central Maryland Or 1-800-MD TAXES from elsewhere or the IRS at 1-800-829-1040.

**Keep this information with your tax records.**

### **iFile To Save Time, Money and Frustration!**

More than 2 million Maryland taxpayers filed their tax return electronically last year. Join this group of satisfied customers this year and make filing easier than ever!

Millions of Marylanders know how easy, safe and fast it is to file their taxes for free at **www.marylandtaxes.com**. Best of all, filers expecting a refund who choose direct deposit can have their money deposited in their bank account 72 hours after the return is accepted for processing. Click on the iFile icon on the Comptroller's website for more information.

Electronic filers also get the added benefit of extra time to pay. Taxpayers who owe, file their returns electronically by April 17, and pay electronically (credit card or direct debit) now have until April 30 to pay. Those who submit their return electronically and pay by check, still need to file and pay by April 17.



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