

Understanding Your W-2

The most common questions relate to why W-2 Wages differ from your final pay stub for the year, and why Social Security and Medicare Wages per the W-2 differ from your W-2 Federal wages. The differences are mainly due to what wage amounts the IRS allows as taxable for each situation. The following steps will show you the calculations of the W-2 wage amounts and help you to reconcile these to your final pay stub for the year.

CALCULATING FEDERAL TAXABLE WAGES (BOX 1)

Use your last pay stub for the year to calculate the taxable wages in Box 1 in your W-2. Begin with the Gross Earnings Year to Date (YTD) and make the following adjustments, if applicable:

Federal Taxable Wage – Adjustments to Gross Earnings YTD:

Subtract YTD **Pretax** Deductions, which include:

- Health/Dental/Vision Insurance
- Health Savings Account (HSA) contributions
- Flexible Spending Account (FSA) Medical
- Flexible Spending Account (FSA) Dependent Care
- Retirement (TIAA) – 403B, 457

Add other Imputed Earnings, which may include:

- Taxable Moving Expense
- Taxable Benefits

The resulting amounts should equal Box 1 Federal Wages on your W-2. Please note that your Federal Tax withheld (Box 2) is based on the withholding election made on your individual W-4. If you find that after making these adjustments to your Gross Earnings YTD per your final pay stub, the result does not match Box 1 Federal Wages on your W-2, email the Baylor Payroll Office (payroll_office@baylor.edu) for assistance.

CALCULATING SOCIAL SECURITY WAGES (BOX 3) AND MEDICARE WAGES (BOX 5)

The Social Security Wage limit for 2022 was \$147,000. For Medicare Wages, there is no annual limit or cap. To determine Social Security and Medicare wages on your W-2, again begin with the Gross Earnings YTD from your final pay

Social Security and Medicare Taxable Wage – Adjustments to Gross Earnings YTD:

Subtract YTD **Pretax** Deductions, which include:

- Health/Dental/Vision Insurance
- FSA Medical
- FSA Dependent Care

Add other Imputed Earnings, which may include:

- Taxable Moving Expense
- Taxable Benefits

The resulting amount should equal Box 3 Social Security Wages and Box 5 Medicare Wages on your W-2, unless your Social Security Wages were capped at the annual limit of \$147,000.

For most employees, the difference between Box 1 and Boxes 3, 5 is the amount of pre tax retirement (TIAA) contributions made.

Please note that your Social Security Tax Withheld (Box 4) is 6.2% of your Social Security Wages (Box 3). Medicare Tax Withheld (Box 6) is 1.45% of your Medicare Wages (Box 5). There is an additional Medicare tax of .9% for Medicare wages in excess of \$200,000.

If you find that after making these adjustments to your Gross Earnings YTD per your final pay stub, the results do not match Box 3 Social Security Wages and Box 5 Medicare Wages on your W-2, email the Baylor Payroll Office (payroll_office@baylor.edu) for assistance.

EXPLANATION OF OTHER BOXES ON YOUR W-2

Box 10: Dependent Care deductions

Box 12 E: 403B pretax deductions

Box 12 G: 457 pretax deductions plus 457 employer contributions

Box 12 W: Employee and Employer contributions to a health savings account (HSA)

Box 12 BB: 403B Roth deductions

Box 12 DD: Employee and employer contributions towards Health coverage

Box 13: Indicates that you had contributions (either employee or employer) to a retirement plan (TIAA) and/or pretax contributions to a 403B or 457 plan or were *eligible* to participate in a retirement plan.