

# Understanding Your W-2

The most common questions relate to why W-2 Wages differ from your final payslip 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 payslip for the year.

## **CALCULATING FEDERAL TAXABLE WAGES (BOX 1)**

Use your last payslip 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.

Note: Imputed Earnings, such as Taxable Moving Expenses or Taxable Benefits, are included in Gross Earnings on your payslip

### ***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

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](mailto:payroll_office@baylor.edu)) for assistance.

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

The Social Security Wage limit for 2023 was \$160,200. 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

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 \$160,200.

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](mailto: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.