

EXPLANATION OF COMMONLY USED YEAR-END ADJUSTMENTS

Please use these descriptions to guide you in filling out your Year-End Adjustment Form. Please call your local branch office for help if you do not see the type of adjustment you need. To better assist you, we will need to know the adjustment's impact on W-2 form boxes and the taxes to be withheld. It may be helpful to consult with your accountant.

CODE 52 – FRINGE BENEFIT (FRING2)

Impacts W-2 boxes 01, 03, 05, 14

Description: Fringe benefits included in taxable wages for federal and state, but only FICA and Medicare are withheld. These types of fringes **must be submitted with other paid wages** to allow for tax deduction or must be submitted as an adjustment to allow FICA/Medicare to automatically catch up on current or next live check. Usually reported as LIVE (included in net) earnings. Typical fringes are: cars provided by employer, flights provided by employer, free/discounted commercial flights, discounts on property or services, country club membership or social memberships, tickets for entertainment/sporting events, vacation expenses paid by the employer. To withhold ALL TAXES, use code 51 (FRING1).

CODE 55 – TAXABLE AUTO ALLOWANCE (AUTO\$1)

Impacts W-2 boxes 01, 03, 05, 14

Description: Taxable auto allowance including either 100% value of the employee's use of the vehicle or only the value of the personal use of the vehicle, depending on the employer's accounting policy. Taxed same as FRING1, subject to all taxes.

CODE 59 – TAXABLE GROUP-TERM LIFE OVER \$50,000 (INSPRM)

Impacts W-2 boxes 01, 03, 05, 12 (c)

Description: Taxable group-term life insurance premiums paid by the employer on coverage in excess of \$50,000 per year. Fully taxable, however, FICA, Medicare, FUTA and SUI will only withhold when processed. No federal, state or local taxes will withhold; employee resolves any tax due as part of their personal tax return.

CODE 5P – TAXABLE GROUP-TERM LIFE OVER \$50,000 (INSPR2)

Impacts W-2 Boxes 01, 03, 05, 12 (c)

Description: Same as earnings code 59, fully taxable and WITHHOLDS FEDERAL TAX.

CODE 88 – SUB S HEALTH INSURANCE FOR SHAREHOLDERS (SUBSHP)

Impacts W-2 boxes 01, 14

Description: S Corporation health insurance premiums paid by the corporation for owners with at least 2% ownership in an S Corp where an employee "non-discriminatory" medical plan is offered. FICA, Medicare and FUTA exempt. Taxable for federal, state and local.