

## **W-2 Frequently Asked Questions:**

***My wages in box 1 is not the same amount of my contract or what is on the salary schedule for my rank and years' experience. Why doesn't my contract salary match my W-2 wages? Why are my taxable wages different than my total gross pay?***

Fiscal Year (July through June) Contract Salary is the amount you would earn based on the standard work schedule for your position. Calendar Year (January through December ) Box 1 on the W-2 statement represent all payments issued during the Calendar Year less any pre-tax deductions, such as 125-plan insurance premiums or deductions to a tax sheltered annuity. The wages listed also include other types of payments such as pay supplements, bonuses, stipends, or other miscellaneous pay.

Pre-tax deductions - Insurance deductions under the Flexible Benefits (125) Plan, deductions for a Flexible Spending Account and payments made to a 401(a) plan **are not included as taxable wages for federal income tax, social security or medicare. Deductions for these categories are not displayed on your W-2 statement.**

### **What is a cafeteria plan?**

A cafeteria plan is a separate written plan maintained by an employer for employees that meets the specific requirements of and regulations of section 125 of the Internal Revenue Code. It provides employees an opportunity to receive certain benefits on a **pretax basis.** A qualified benefit is a benefit that does not defer compensation and is: **excludable from an employee's gross income**

See Sections 3121(a)(5)(G) and 3306(b)(5)(G) of the Internal Revenue Code.

***The above discussion provides only the most basic rules governing a cafeteria plan. For a complete understanding of the rules, see the Proposed Regulations under Code section 125.***

### ***Q: I am a teacher and do not have Social Security wages or withholdings in box 3 and 4***

A: KTRS retirement allowance would make you ineligible for Social Security benefits. You do not, however, make FICA contributions to Social Security as a result of your KTRS-covered employment unless you are an employee of a university or community college. As a result of your employment in a position that does not participate in Social Security, the current federal Windfall Elimination Provision law will reduce any Social Security income that you could draw from any Social Security-covered employment and the federal Government Pension Offset will substantially reduce any Social Security benefit that you might draw as the spouse or widower of a Social Security recipient. These are provisions of federal law.

You may contact the Social Security office or visit their website at [www.ssa.gov](http://www.ssa.gov) for details.

### ***Q: I have a G, DD or a W on my W – 2 —What is that?***

**G** — Elective deferrals and employer contributions, including nonelective deferrals, to a section 457(b) deferred compensation plan. **This amount is nontaxable.**

**W** — Employer and employee contributions to a Health Savings Account established under a section 125 cafeteria plan.

**DD** — Cost of **employee and employer-sponsored** health coverage amount. This is for **information only**, as required by the Affordable Care Act, also known as Obamacare. **(The employee/employer amount) annotated DD is not taxable.**

**Y** – Retirement plans (TRS and CERS)