2019 Year-end Tax Reporting
of Disability Income Benefits
December 2019

To: Our Valued Policyholders and Plan Sponsors

Re: Reporting 2019 Sick Pay Benefits

Standard Insurance Company is pleased to provide you with this booklet to help familiarize you with your third party sick pay tax reporting responsibilities prior to the annual tax reporting period.

Valuable information you will find in this booklet includes:

• A summary of reporting responsibilities for both you and The Standard

• Sample Disability Income Reports for Long Term Disability (LTD), Short Term Disability (STD) and Statutory Disability Insurance (SDI) benefits and a description of the information reported on these benefits

• A sample Form W-2 Wage and Tax Statement along with basic instructions for completing the tax statement

• A sample Form W-3 Transmittal of Wage and Tax Statements

• Common questions and answers about the taxation of sick pay benefits

As a reminder, we prepare a Form W-2 that shows The Standard’s name and Employer Identification Number for the following:

• All LTD sick pay benefits

• All STD and SDI sick pay benefits paid under STD and/or SDI policies that have an active tax reporting service agreement

If you have any questions about the contents of this booklet, please contact our office at 800-525-3973. Our staff is available to answer your questions Monday through Friday, from 6:00 a.m. to 5:00 p.m. Pacific Time.
Tax Reporting Responsibilities

Internal Revenue Code Section 6051(f) requires insurers to provide information to policyholders and plan sponsors to allow them to report on sick pay benefits paid to their employees. This includes the amount of disability benefits paid and the amount of taxes withheld from those benefits during the previous calendar year. It applies to benefits paid under both insured group policies and self-funded employer-paid plans administered through Administrative Services Only (ASO) agreements. We refer to these benefits as “sick pay” in this booklet.

Policyholder/Plan Sponsor Responsibilities

You are responsible for the following unless you have an approved tax reporting service agreement with The Standard for 2019:

- Prepare and provide Form W-2 Wage and Tax Statements to employees for STD or SDI sick pay benefits received from The Standard in 2019.
- Pay the employer share of Social Security and Medicare taxes on STD and SDI benefits paid to your employees by The Standard in 2019.
- Report the Social Security and Medicare taxes withheld and the taxable amount of disability sick pay benefits on your Form 941 Employer’s Quarterly Federal Tax Return.

In addition, you are always responsible for paying and reporting federal and state unemployment taxes, such as FUTA and SUTA, and any other miscellaneous payroll taxes due on LTD, STD and SDI benefits.

Do not prepare a Form W-2 for any employee who received LTD sick pay benefits from The Standard in 2019 nor include this information in your quarterly Form 941 returns.

If you mistakenly prepare a Form W-2 for sick pay benefits for an employee for whom The Standard will prepare a Form W-2, you will need to amend your tax reports to prevent double reporting of benefits to the Internal Revenue Service. Please contact your tax consultant for further information or advice for your specific situation.
Standard Insurance Company Responsibilities

As a service to our customers, The Standard:

- Provides the Disability Income Report with information you need to prepare a Form W-2 for each employee, including employee name, address, Social Security number, taxable percentage and total disability benefits paid and taxes withheld.
- Pays the employer’s share of Social Security and Medicare taxes on LTD sick pay benefits to your employees.
- Reports LTD sick pay benefits on our quarterly Form 941 returns.
- Pays the employer’s share of Social Security and Medicare taxes on STD and SDI sick pay benefits if you have an approved tax reporting service agreement in effect with The Standard for 2019.
- Prepares and provides a Form W-2 for each employee who received LTD sick pay benefits from The Standard in 2019.
- Reports STD and SDI sick pay benefits on our quarterly Form 941 returns if you have had an approved tax reporting service agreement in effect with The Standard for 2019.
- Prepares and provides a Form W-2 for each employee who received STD or SDI sick pay benefits from The Standard if you have had an approved tax reporting service agreement in effect with The Standard for 2019.
The Disability Income Report

The Disability Income Report identifies those individuals who received disability sick pay benefits from The Standard in 2019. If The Standard will prepare a Form W-2 for an employee listed on this report, you will find “We Prepared W-2” under the employee’s name and address. You will need to prepare a Form W-2 for all other employees listed on this report.

In addition to listing individuals who received sick pay during 2019, the Disability Income Report will list summary data on individuals who participated in the Benefit Contribution Deduction (BCD) service. Individuals are allowed to participate in the BCD service if they are covered under an approved plan. With the BCD service, individuals are allowed to use sick pay benefits to make contributions to specific types of employee benefit contribution plans, either on a pre-tax or post-tax basis. The Disability Income Report will only list summary data on specific types of contributions to such benefit plans as retirement, health savings and other pre-tax deductions.

If you have any questions about the Disability Income Report, please contact our office at 800.525.3973. Our staff will be happy to answer your questions, Monday through Friday, from 6:00 a.m. to 5:00 p.m. Pacific Time.
## Sample LTD Disability Income Report

**PUBLIC LAW 96-601 REQUIRES INSURANCE CARRIERS TO REPORT THE AMOUNT OF DISABILITY PAYMENTS MADE TO YOUR EMPLOYEES LAST YEAR. WE MUST ALSO REPORT TO YOU THE AMOUNTS WITHHELD FOR TAXES. THE INFORMATION BELOW IS FOR YOUR USE IN PREPARING TAX FORMS FOR YOUR EMPLOYEES. YOU MAY ACCESS THE DIR BOOKLET ONLINE AT www.standard.com/eforms/9507.pdf.**

* INDICATES THE CLAIM WAS SET UP IN 2019 IF REPAYMENT OR BENEFITS WITHHELD DATA APPEAR ON THE REPORT, REFER TO THE "DISABILITY INCOME REPORT INFORMATION" SECTION IN THE TAX PACKET FOR INSTRUCTIONS ON HOW CREDIT MAY BE REFLECTED ON THE W-2. TAX RATES USED: EE SS 6.20%, ER SS 6.20%, EE MED 1.45%, ER MED 1.45%

### ***LONG TERM DISABILITY***

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<thead>
<tr>
<th>CLAIM MEMBER/PROVIDER NUMBER</th>
<th>SS/TIN NUMBER</th>
<th>TAXES / DEDUCTIONS</th>
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<td>00999999</td>
<td>GROSS TXBL 63,293.28</td>
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<tr>
<td>1234 RURAL STREET SANDY OR 97333</td>
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<td>REPAYMENTS 0.00</td>
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<tr>
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</tr>
<tr>
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<tr>
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<td>874.40</td>
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</tr>
<tr>
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<tr>
<td>TR1 MED WAGE .00 TIER 1 MED .00</td>
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**STATE WAGES 60,303.72**

**ER EST SS TX 3,738.84**

**ER EST MED TX 874.40**

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**WE PREPARED W-2 ******* 2019 YTD TOTALS *********

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<tr>
<td>MED WAGE AMT 60,303.72 MEDICARE 874.40</td>
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<td>TIER 1 WAGE AMT .00 RR TIER 1 .00</td>
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<tr>
<td>TIER 1 MED WAGE .00 TIER 1 MED .00</td>
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<tr>
<td>STATE WAGES 60,303.72</td>
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<tr>
<td>ER ESTIMATE SS TX 3,738.84</td>
</tr>
<tr>
<td>ER ESTIMATE ME TX 874.40</td>
</tr>
</tbody>
</table>

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**Portion of benefit considered taxable. Please notify us immediately if this is incorrect.**
### Sample STD Disability Income Report

**Your Federal Tax ID#. Please notify us if this number is incorrect or missing.**

**Indicates type of insurance coverage.**

**You must prepare W-2s for those employees who will not receive one from The Standard unless you have an active tax reporting service agreement with The Standard.**

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#### 2019 YTD Disability Income Report

**PUBLIC LAW 96-601 REQUIRES INSURANCE CARRIERS TO REPORT THE AMOUNT OF DISABILITY PAYMENTS MADE TO YOUR EMPLOYEES LAST YEAR. WE MUST ALSO REPORT TO YOU THE AMOUNTS WITHHELD FOR TAXES. THE INFORMATION BELOW IS FOR YOUR USE IN PREPARING TAX FORMS FOR YOUR EMPLOYEES. YOU MAY ACCESS THE DIR BOOKLET ONLINE AT www.standard.com/efoms/9507.pdf**

* Indicates the claim was set up in 2019. If repayment or benefits withheld data appear on the report, refer to the "Disability Income Report Information" section in the tax packet for instructions on how credit may be reflected on the W-2. Tax rates used: EE SS 6.20%, ER SS 6.20%, EE MED 1.45%, ER MED 1.45%

### ***Short Term Disability***

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<th><strong>CLAIM MEMBER/PROVIDER</strong></th>
<th><strong>NUMBER</strong></th>
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<tr>
<td>321 MOCKINGBIRD</td>
<td>97201</td>
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- Gross TXBL: 883.51
- Taxable %: 100.00
- FEDERAL EST SS TX: 54.78
- FEDERAL EST MED TX: 12.81
- S SECURITY: 54.77
- MEDICARE: 12.81
- RR TIER 1: 0.00
- TIER 1 MED: 0.00
- STATE WAGES: 883.51

#### Statement Needed

**2019 YTD Totals**

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<tr>
<td>Benefits Withheld:</td>
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<tr>
<td>Taxable Amount:</td>
<td>883.51</td>
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<tr>
<td>SS Wage AMT:</td>
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</tr>
<tr>
<td>Med Wage AMT:</td>
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<tr>
<td>Tier 1 Wage AMT:</td>
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<td>Tier 1 Med WAG:</td>
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<td>ER EST SS TX:</td>
<td>54.78</td>
</tr>
<tr>
<td>ER EST Med TX:</td>
<td>12.81</td>
</tr>
</tbody>
</table>

Enter in Box 1 on Form W-2.

Enter in Boxes 4 and 6 on W-2.

Portion of benefit considered taxable. Please notify us immediately if this is incorrect.
**2019 Year-end Tax Reporting**

**Sample SDI Disability Income Report**

PUBLIC LAW 96-601 requires insurance carriers to report the amount of disability payments made to your employees last year. We must also report to you the amounts withheld for taxes. The information below is for your use in preparing tax forms for your employees. You may access the DIR booklet online at www.standard.com/eforms/9507.pdf.

- Indicates the claim was set up in 2019. If repayment or benefits withheld data appear on the report, refer to the "Disability Income Report Information" section in the tax packet for instructions on how credit may be reflected on the W-2. Tax rates used: EE SS 6.20%, ER SS 6.20%, EE MED 1.45%, ER MED 1.45%

**Enter in Box 1 on Form W-2.**

**Enter in Boxes 4 and 6 on W-2.**

**Portion of benefit considered taxable. Please notify us immediately if this is incorrect.**

<table>
<thead>
<tr>
<th>CLAIM MEMBER/PROVIDER</th>
<th>SS/TIN NUMBER</th>
<th>TAXES / DEDUCTIONS</th>
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<td></td>
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<td>UCT $0.00</td>
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<td>MED WAGE AMT $1,802.37</td>
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<tr>
<td></td>
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<td>ER EST MED TX $26.13</td>
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</table>

**2019 YTD DISABILITY INCOME REPORT**

**Statement Needed ****** 2019 YTD**

**Claim Count Is: 1**

**Totals**

- **Benefits Issued $2,954.71**
- **Repayments $0.00**
- **Benefits Withheld $0.00**
- **Reportable Benefit $2,954.71**
- **Taxable Amount $1,802.37**
- **SS Wage AMT $1,802.37**
- **MED Wage AMT $1,802.37**
- **Tier 1 Wage AMT $0.00**
- **Tier 1 Med Wage $0.00**
- **State Wages $1,802.37**
- **ER Estimate SS TX $111.75**
- **ER Estimate ME TX $26.13**

Your Federal Tax ID#. Please notify us if this number is incorrect or missing.

Indicates type of insurance coverage.

You must prepare W-2s for those employees who will not receive one from The Standard unless you have an active tax reporting service agreement with The Standard.
Information Provided on the Disability Income Report

Benefits Issued: The total or gross amount of sick pay benefits paid to this employee during 2019.

Repayments: Amount the employee repaid to The Standard during 2019 for an overpayment of sick pay benefits.

Benefits Withheld: Amount of sick pay benefits retained by The Standard and applied to an existing overpayment.

Net Benefit: Benefits issued during 2019 less repayments and benefits withheld in 2019. When the total of the repayments and benefits withheld are less than the Benefits Issued, the Benefits Issued amount is adjusted to reflect the repayment and benefits withheld amounts. When the total of the repayments and benefits withheld amounts are greater than the Benefits Issued amount, the new Net Benefit is a negative amount. The “N/A” term appears in this field.

ADJ Taxable: The amount of Net Benefit subject to federal taxes, calculated by multiplying the Net Benefit by the employer contribution percentage reported to The Standard. (Note: The Net Benefit used in the calculation will be reduced by the amount of pre-tax deductions under the BCD service.) If we are unable to confirm the employer contribution percentage, we report the sick pay benefits as 100 percent taxable. You may need to calculate an adjusted net taxable amount if the net benefits issued or taxable percentage is incorrect. To do this:

1. Subtract the repayments and benefits withheld from the benefits issued to determine the Net Benefit amount.
2. Multiply the Net Benefit amount by the taxable percentage to obtain the adjusted ADJ Taxable.

In situations where a repayment of overpaid benefits has occurred and you need to adjust the ADJ Taxable amount, the IRS prefers that you adjust the taxable benefit amount reported as “Wages” in Box 1 on Form W-2. If you do not adjust the ADJ Taxable amount, please notify the employee of the repayment amount. We suggest you refer employees to Publication 525, Taxable and Nontaxable Income, or their tax consultants for guidance.

If you do use the ADJ Taxable amount, remember to adjust your quarterly Form 941 data. You’ll also want to advise each employee to whom this applies that the Form W-2 reflects the repayment/withholding credits and they should not also take credits on their Form 1040 tax returns.

For those claims where it is appropriate to use the ADJ Taxable amount, an asterisk (*) appears next to the employee’s name on the Disability Income Report. For claims incurred prior to 2019, you will need to rely on your records and those of the employee to determine if the overpayment occurred in 2019.
SS Wage Amt: The amount of sick pay benefits subject to Social Security portion of FICA tax. This figure was calculated based on the amount of Social Security tax withheld for the year.

Med Wage Amt: The amount of sick pay benefits subject to Medicare portion of FICA tax. This figure was calculated based on the amount of Medicare tax withheld for the year.

Tier 1 Wage Amt: The amount of sick pay benefits subject to Railroad Retirement Tier 1 tax. This figure was calculated based on the amount of Tier 1 tax withheld for the year.

Tier 1 Med Wage: The amount of sick pay benefits subject to Railroad Retirement Tier 1 Medicare tax. This figure was calculated based on the amount of Tier 1 Medicare tax withheld for the year.

State Wage: The amount of the ADJ Taxable figure that is subject to state wage reporting, providing the state taxes sick pay benefits.

Gross Taxable: The amount of gross sick pay benefits issued subject to federal taxes. This figure is calculated by multiplying the benefits issued amount by the employer contribution percentage reported to The Standard. If we are not able to confirm the taxable percentage, we report benefits as 100 percent taxable.

Taxable %: The percentage of sick pay benefits subject to federal taxes, determined by the percent of premium contributions the IRS classifies as employer-paid.

When 100 percent of the premium is employer-paid, then 100 percent of the sick pay benefits is taxable. If the employee paid the entire premium, then sick pay benefits are not taxable. However, if the employee paid the premium with pre-tax dollars (i.e., under an IRS section 125 cafeteria plan), sick pay benefits are still fully taxable.

We rely on you to calculate the employer contribution percentage, according to the IRS three-year averaging rule, and to provide the correct information to us on the Employer Statement when a claim is filed.

UCT: In 2003, the State of Pennsylvania reinstated the unemployment employee contribution (UC) tax rate. The Standard does not withhold the UC tax from taxable sick-pay. Instead, The Standard provides quarterly reports to employers with work locations in Pennsylvania showing the taxable benefits and the calculated UC tax amounts.

State: Amount withheld from sick pay benefits for state income tax. Withholding is mandatory for employees under certain self-funded ASO plans and voluntary for all others.

Federal: Amount withheld from sick pay benefits for federal income tax. Withholding is mandatory for employees under certain self-funded ASO plans and voluntary for all others.

S Security: Amount withheld from sick pay benefits for the Social Security portion of FICA tax. This withholding is mandatory for the first six complete calendar months after the month in which the disabled employee last worked and while the employee works in a rehabilitation program for the employer (for employees who participate in Social Security system).
Medicare: Amount withheld from sick pay benefits for the Medicare portion of FICA tax. This withholding is mandatory for the first six complete calendar months after the month in which the disabled employee last worked and while the employee works in a rehabilitation program for the employer (for private sector employees and for public employees hired on or after April 1, 1986).

RR Tier 1: Amount withheld from sick pay benefits paid to railroad employees for Railroad Retirement Tier 1 tax. The withholding requirements are the same as for Social Security tax.

Tier 1 Med: Amount withheld from sick pay benefits paid to railroad employees for Railroad Retirement Tier 1 Medicare tax. The withholding requirements are the same as for Medicare tax.

Retirement Deductions: The amount of the retirement deductions will appear on the annual Disability Income Report. If there are no retirement deductions, there will not be a designated field on the report for the individual in question.

Hlth Savings: The total amount of the health savings deductions will appear on the annual Disability Income Report. If there are no health savings deductions, there will not be a designated field on the reports for the individual in question.

Other PreTx: The sum of all other pre-tax deductions will be listed if there were any for the individual in question. If there are no other pre-tax deductions, there will not be a designated field on the reports for the individual in question.

ER EST SS TX: The amount to be remitted by employer, or on employers behalf by The Standard if an agreement is in place, for Social Security portion of FICA tax. This remittance is mandatory whenever there is Social Security withheld from an Employees benefit payment (for employees who participate in the Social Security system).

ER EST MED TX: The amount to be remitted by employer, or on employers behalf by The Standard if an agreement is in place, for Medicare portion of FICA tax. This remittance is mandatory whenever there is Medicare withheld from an Employees benefit payment (for private sector employees and for public employees hired on or after April 1, 1986).

Form W-2 Wage and Tax Statement
In general, you must prepare a Form W-2 for an employee who received sick pay benefits from The Standard. In some instances, however, The Standard prepares and reports Form W-2 information. In those situations, refer to information about the Optional Rule for Form W-2 found on page 19-20 of the 2019 IRS Publication 15-A, Employer’s Supplemental Tax Guide.

For information about how to complete Form W-2, refer to the Employer’s Supplemental Tax Guide. Specific information about how to report sick pay benefits may be found on page 15 in the Sick Pay Reporting section of the 2019 edition of this publication.
When preparing a Form W-2 for an employee who received sick pay benefits, you may either:

- Combine the sick pay with other wages and prepare a single Form W-2 for the employee or
- Prepare one Form W-2 for the employee’s sick pay and a separate one to report regular wages

The IRS requires you to report sick pay benefits on a Form W-2 for an employee even if the benefits are considered nontaxable income. To complete a Form W-2 for sick pay benefits, enter the following information:

- Box a Employee Social Security number
- Box b Employer identification number
- Box c Employer name, address and ZIP code
- Box d Control number
- Box e Employee name
- Box f Employee address and ZIP code
- Box 1 Amount of taxable sick pay benefits paid to the employee
- Box 2 Amount of federal income tax withheld from sick pay benefits
- Box 3 Amount of sick pay benefits subject to employee portion of Social Security tax
- Box 4 Amount of Social Security tax withheld from sick pay benefits
- Box 5 Amount of sick pay benefits subject to employee portion of Medicare tax
- Box 6 Amount of Medicare tax withheld from sick pay benefits
- Box 12 Amount of sick pay benefits not subject to federal income tax because the employee contributed to the sick pay plan (enter code “J”)
- Box 13 Check the “Third-party sick pay” box only if the amounts were paid by a Third-party

The IRS instructions for preparing Form W-2 do not address sick pay reporting for state income tax purposes. Please consult your tax consultant or state revenue department to determine what information (if any) needs to be reported in boxes 15 through 20 of Form W-2.
Form W-3 Transmittal of Wage and Tax Statements

Do not staple

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</thead>
<tbody>
<tr>
<td>33333</td>
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</tbody>
</table>

Kind of Payer (Check one)
- ▼ 941 Military
- ▼ 943 Hshld. emp.
- ▼ 944 Medicare
- ▼ 945 Med. care

Kind of Employer (Check one)
- None apply
- ▼ 501c non-govt.
- ▼ State/local 501c
- ▼ Federal govt.
- ▼ Third-party sick pay (Check if applicable)

Total number of Forms W-2

Establishment number

Wages, tips, other compensation

Federal income tax withheld

Social security wages

Social security tax withheld

Medicare wages and tips

Medicare tax withheld

Social security tips

Allocated tips

Nonqualified plans

Tax deferred compensation

For third-party sick pay use only

For Official Use Only

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▼ Title ▼ Date ▼

Form W-3 Transmittal of Wage and Tax Statements 2019

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration (SSA).

Photocopies are not acceptable. Do not send Form W-3 if you filed electronically with the SSA.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Reminder

See the 2019 General Instructions for Forms W-2 and W-3 for information on completing this form. Do not file Form W-3 alone. All paper forms must comply with IRS standards and be machine readable. Photocopies are not acceptable. Use a Form W-3 even if only one paper Form W-2 is being filed. Make sure both the Form W-3 and Form(s) W-2 show the correct tax year and Employer Identification Number (EIN). Make a copy of this form and keep it with Copy D (For Employer) of Form(s) W-2 for your records. The IRS recommends retaining copies of these forms for four years.

E-Filing

The SSA strongly suggests employers report Form W-3 and Forms W-2 Copy A electronically instead of on paper. The SSA provides two free e-filing options on its Business Services Online (BSO) website.
- ▼ W-2 Online. Use fill-in forms to create, save, print, and submit up to 50 Forms W-2 at a time to the SSA.
- ▼ File Upload. Upload wage files to the SSA you have created using payroll or tax software that formats the files according to the SSA’s Specifications for Filing Forms W-2 Electronically (EFW2).

When To File Paper Forms

Mail Form W-3 with Copy A of Form(s) W-2 by January 31, 2020.

Where To File Paper Forms

Send this entire page with the entire Copy A page of Form(s) W-2 to:

Social Security Administration

Direct Operations Center

Wilkes-Barre, PA 18709-9991

Note: If you use “Certified Mail” to file, change the ZIP code to “18709-0002.” If you use an IRS-approved private delivery service, add “ATTN: W-2 Process, 1150 E. Mountain Dr.” to the address and change the ZIP code to “18702-7997.” See Pub. 15 (Circular E), Employer’s Tax Guide, for a list of IRS-approved private delivery services.

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 10159Y
Questions and Answers

Who is responsible for preparing Form W-2 Wage and Tax Statements for disabled employees receiving LTD, STD and SDI sick pay benefits?
The policyholder or plan sponsor is responsible for preparing a Form W-2 for each disabled employee to report sick pay benefits received by the employee.

However, as a service to our customers, The Standard prepares a Form W-2 for each employee to whom LTD sick pay benefits are paid.

In addition, if you have had an active tax reporting service agreement with The Standard for 2019, we prepare a Form W-2 for each employee to whom STD and SDI sick pay benefits were paid.

Why am I responsible for preparing a Form W-2 for a disabled employee who is no longer on my payroll?
Under Internal Revenue Code Section 6051(f), insurers are responsible for providing employers with information about sick pay benefits paid to employees with disabilities. The employer is responsible for preparing a Form W-2 for each employee.

How is the taxable amount calculated and what should I do if the Disability Income Report (DIR) shows an incorrect amount?
We calculate the taxable amount by multiplying the amount of sick pay benefits paid by the taxable percentage. We determine the taxable percentage based on the information you provide about premium contributions.

If the DIR is incorrect, please contact us immediately at 800.525.3973 so that we may correct current and future tax reports. If you prepare the Form W-2, you will also need to recalculate the taxable amount using the correct taxable percentage.

Are sick pay benefits subject to federal and state income tax?
Sick pay benefits are subject to federal income tax based upon the percentage of the insurance premium paid by the employer. For example, when an employer pays 100 percent of the premium, all sick pay benefits paid are subject to federal income tax. If the employer pays 75 percent of the premium and the employee pays 25 percent, then 75 percent of the sick pay benefits are subject to federal income tax. However, when an employee pays all or a portion of the premium with pre-tax dollars (i.e., under a Section 125 cafeteria plan), 100 percent of the sick pay benefits are subject to federal income tax.

In some states, sick pay benefits are subject to state income tax. If your company is located or your employee lives in a state with an income tax, contact the state’s revenue department for more information. The Standard only deducts state income tax from sick pay benefits when required by state law.

If sick pay benefits are subject to federal income tax, why doesn’t The Standard withhold these taxes?
Federal income tax withholding is voluntary on sick pay benefits (except under certain ASO agreements). The Standard withholds federal income tax only if the employee submits to us a completed Form W-4S Request for Federal Income Tax Withholding from Sick Pay.
How long are sick pay benefits subject to Social Security and Medicare taxes?
Benefits issued during the Social Security/Medicare withholding periods are subject to these taxes. These periods include:

- The first six complete calendar months after an employee ceases work due to disability, and
- The time period when a disabled employee engages in gainful employment for the policyholder or plan sponsor.

If a disabled employee returns to work and subsequently ceases work due to disability, Social Security and Medicare taxes are withheld again for the first six complete calendar months after the employee stops working the second time.

Is it necessary to fill in both boxes 3 and 5, Social Security Wages and Medicare Wages, on Form W-2 for STD benefits?
If Social Security or Medicare taxes were withheld from STD or SDI sick pay benefits during the calendar year, you must enter the Social Security and Medicare wage amounts in the appropriate box on Form W-2. In general, calculate these amount as follows:

- Divide the amount of the Social Security tax withheld by .0620 to calculate the Social Security Wage amount.
- Divide the amount of Medicare tax withheld by .0145 to calculate the Medicare Wage amount.

How does the IRS match Social Security and Medicare taxes that the company pays for a disabled employee with those taxes The Standard withheld from the disabled employee’s benefit payments?
When you prepare Form 941, you should include the taxable benefits and tax withholding data from the daily FICA Activity Reports and Monthly Benefit Activity Reports you receive from The Standard. All tax amounts that The Standard withholds are deposited directly with the IRS under our tax identification number. When you submit year-end tax information to the IRS, they access data submitted by you and The Standard.

How can I be sure the Form 941 and Form W-2 balance?
To balance Form 941 and Form W-2, report on the Form 941 only those taxable sick pay benefits and Social Security or Medicare tax amounts that you will include on the Forms W-2 you will prepare. Do not report any LTD sick pay benefits information as The Standard will do this. Also, be sure to take into account any STD or SDI benefit payment adjustments. You may want to refer to the 2019 Instructions for Forms W-2 and W-3 for more information. You may view or download these instructions from the IRS Web site:

When is Form 8922 needed?
Form 8922 is needed when the liability for the employer portion of FICA taxes was shifted by the third party or insurer paying the sick pay to the employer. For groups that do not have a FICA service agreement The Standard will prepare the form to report the FICA taxes withheld from the employee benefits. If the group has signed a FICA service agreement with the Standard the form doesn’t need to be filed as there is no split on the liability.
What do I do with the data from the Disability Income Report if my Form W-2 entries have already been prepared and submitted? Your options will vary depending on your situation. Contact your local IRS or Social Security Administration office. You may also want to refer to:

- SSA Publication EFW2, Specifications for Filing Forms W-2 Electronically
- Instructions for Forms W-2 and W-3
- IRS Publication 15, Circular E, Employer’s Tax Guide

Call us with your questions about:

- Disability Income Report – 800.525.3973
- LTD claims – Your LTD Benefits Analyst or 800.368.1135
- STD and SDI claims – 800.368.2859