

THE PANGBURN GROUP

2023 Reporting and Wage Withholding Requirements for Participants in a Nonqualified or Split Dollar Plan

EMPLOYEES/FORMER EMPLOYEES			
Reportable Item	Form / Box Number(s)	Category	Box Description
Increase in vested benefit of a Nonqualified Plan (FICA)	W-2, Box 3 (1)	Social Security Tax	"Social Security wages"
	W-2, Box 5 (7)	Medicare Tax	"Medicare wages and tips"
	W-2, Box 11 (2)	Disclosure	"Nonqualified plans"
Distributions from a Nonqualified Plan (3)	W-2, Box 1	Federal Tax	"Wages, tips, other compensation"
	W-2, Box 11 (2)	Disclosure	"Nonqualified plans"
	W-2, Box 16 & 18 (if applicable) (6)	State Tax & Local Tax (if applicable)	"State and Local wages, tips, etc."
Deferrals that comply with Section 409A (4)	W-2, Box 12 code Y	Disclosure	"Codes"
Deferrals that fail to comply with Section 409A (5)	W-2, Box 1	Federal Tax	"Wages, tips, other compensation"
	W-2, Box 12 code Z	Additional Tax	"Codes"
	W-2, Box 16 & 18 (if applicable) (6)	State Tax & Local Tax (if applicable)	"State and Local wages, tips, etc."
Reportable Income from a Split Dollar Arrangement (8)	W-2, Box 1	Federal Tax	"Wages, tips, other compensation"
	W-2, Box 3 (1)	Social Security Tax	"Social Security wages"
	W-2, Box 5 (7)	Medicare Tax	"Medicare wages and tips"
	W-2, Box 16 & 18 (if applicable) (6)	State Tax & Local Tax (if applicable)	"State and Local wages, tips, etc."
NONEMPLOYEES (6)			
Distributions from a Nonqualified Plan	1099NEC, Box 1	Federal, State, & SECA Tax	"Nonemployee compensation"
Deferrals that comply with Section 409A (4)	1099MISC, Box 12	Disclosure	"Section 409A deferrals"
Deferrals that fail to comply with Section 409A (5)	1099NEC, Box 1	Federal, State, & SECA Tax	"Nonemployee compensation"
	1099MISC, Box 15	Additional Tax	"Nonqualified deferred compensation"
Reportable Income from a Split Dollar Arrangement (8)	1099R	Federal, State, & SECA Tax	"Nonemployee compensation"
BENEFICIARIES (6)			
Distributions from a Nonqualified Plan	1099MISC, Box 3 <i>Also enter TIN or SSN in Recipient's information boxes.</i>	Federal & State Tax	"Other income"

FOOTNOTES

- (1) Do not enter more than the Social Security Wage Base indexed for 2023 at \$160,200.
- (2) See special rules for completing Box 11 on page 18 of the 2023 General Instructions for Forms W-2 and W-3.
- (3) Also include amounts not previously reported for FICA in Box 3 (see note 1) and 5 on the employee's W-2.
- (4) It is **NOT** necessary to report deferrals that comply with IRC Section 409A. However, if they are reported, earnings for the current and prior year deferrals should also be included. For more information, see Notice 2008-115.
- (5) Please consult with a tax professional before entering amounts in Box 12 Code Z of the W-2 or Box 15 of the 1099MISC as doing so will trigger additional tax penalties to the participant. A Plan Sponsor is required to report such amounts as wages paid on line 2 of Form 941, Employer's Quarterly Federal Tax Return.
- (6) Taxation at the State/Local level varies from state-to-state. You should consult with your tax advisor regarding the proper treatment.
- (7) Unless otherwise noted, references to Medicare Tax include Additional Medicare Tax.
- (8) Include imputed income attributable to economic benefit received or imputed interest for below market split dollar loans.

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COMMENTS

- (A) The above represents withholding requirements for nonqualified and split dollar plan(s). Please seek advice from your tax professional regarding 457(f) plans.
- (B) An individual's local taxes may be impacted as a result of a nonqualified plan. Please seek advice from your tax professional regarding the proper method of reporting of local taxes.
- (C) For additional information regarding Reporting and Wage Withholding Under IRC 409A, see Notice 2008-115.
- (D) Additional information regarding W-2 reporting can be found under the Nonqualified Deferred Compensation Plans Section on page 4 and the Nonqualified Deferred Compensation Plan Reporting Example Chart on pages 31 and 32 of the 2023 General Instructions for Forms W-2 and W-3.

REFERENCE LISTING

- U.S. Department of the Treasury. Internal Revenue Service. (2008). *Notice 2008-115*. Retrieved from <https://www.irs.gov/pub/irs-drop/n-08-115.pdf>.
- U.S. Department of the Treasury. Internal Revenue Service. (2023). All forms and instructions can be found at <https://apps.irs.gov/app/picklist/list/formsPublications.html>

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