

# Form W-2 Reporting for SIMPLE IRA Contributions

Contributions to an employees SIMPLE IRA may be made by both the employee and the employer.

## Employer Contributions:

[Matching](#) or [nonelective contributions](#) made by an employer to an employee's **SIMPLE IRA** are **NOT** subject to federal income taxes, social security or Medicare taxes, and are **NOT** to be shown on **Form W-2**.

## Employee Salary Reduction Contributions:

### *Federal Income Taxes -*

Amounts withheld from an employee's gross pay for contributions to his/her SIMPLE IRA are called **salary reduction contributions**.

These contributions are **NOT** subject to federal income taxes.

Do **NOT** include salary reduction contributions in the box for *Wages, tips, other compensation* on Form W-2 (Box 1).

### *FICA Taxes (Federal Insurance Contribution Act) -*

Salary reduction contributions **ARE** subject to **social security and Medicare taxes** and are included in the boxes on Form W-2 for *Social Security wages* (Box 3) and *Medicare wages and tips* (Box 5).

## W-2 Code to Use in Box 12:

Enter Code D or S, whichever applies

- **Code D:** Elective deferrals to 401(k) plan
- **Code S:** SIMPLE retirement account (408(p) plan)

## Example:

### Salary reduction contributions reported on Form W-2 for Jack Jones:

- Gross Wages: \$40,000
- Jack's salary reduction contributions to his SIMPLE plan total \$5,000

## Result:

- **Box 1,**

- Wages, tips, other compensation: \$35,000.
  - The \$5,000 contribution is **not** subject to federal income taxes
- **Box 3**, Social security wages: \$40,000
- **Box 5**, Medicare wages and tips: \$40,000
  - The \$5,000 contribution is subject to social security and Medicare taxes
- **Box 12:**
  - Enter \$5,000
  - Enter **Code S:** SIMPLE retirement account (408(p) plan)
- **Box 13:**
  - Enter a checkmark in the Retirement plan Box

## **FUTA Taxes (Federal Unemployment Tax Act)**

### **Employer Contributions:**

Employer contributions to an employee's SIMPLE IRA are **NOT** subject FUTA taxes.

### **Employee Salary Reduction Contributions:**

Employee salary reduction contributions **ARE** subject to FUTA taxes.

FUTA taxes are strictly an employer-paid tax; **you do not** withhold FUTA taxes from an employee's gross wages.

The maximum amount subject to FUTA tax is the first \$7,000 of gross wages paid to each employee.

So, in the above example, the employer would be liable for FUTA taxes on the first \$7,000 of Jack's gross wages.

### **Self-Employed Persons:**

Although self-employed persons are treated as both employer/employee for retirement plan purposes, self-employed persons do not receive Form W-2.

Self-employed income is reported on Schedule C (Schedule F for farming and Schedule E for partners).

Self-employed persons deduct SIMPLE IRA contributions made for themselves on Form 1040, line 28.