



YOUR 2008 W-2

What You Need To Know!

If you pay a deduction to the State Retirement System, remember to include the State Pickup Amount from the first line of box 14 labeled "STPICKUP" of your W-2 on your Maryland tax return!

State Pickup Amount

If an entry labeled as "STPICKUP" appears on the first line in box 14 of your W-2, you must enter that amount on line 3 of Maryland Form 502 or line 19 of Maryland Form 505 and enter code "G." The pickup amount is the mandatory retirement deductions that you paid during the year that are not subject to federal tax, but are subject to Maryland state and local tax. If you are due a refund on your Maryland tax, failure to add the "state pickup amount" on your 502 or 505 Maryland tax return may result in your refund being delayed.

Important: If you made contributions to the State Employees' or State Teachers' pension or retirement systems, the State Police Retirement System, the Judges' Retirement System, the Legislative Retirement System, or the DNR Police Pension or Retirement systems during 2008, you cannot file Maryland Form 503. You must file either Form 502 (for residents) or Form 505 (for nonresidents).

More than Half of All Marylanders Know the Benefits of Filing Electronically

More than 1.5 Million taxpayers already know efile is the easiest, fastest, and safest way to file their taxes. Best of all, filers expecting a refund who choose direct deposit can have their money deposited in their bank account 48 hours after the return is accepted for processing.

Electronic Filers Get More Time to Pay

Many taxpayers took advantage of a new benefit for electronic filers last year and you can too! Taxpayers who owe and file their returns electronically by April 15, now have until April 30 to pay electronically by credit card or direct debit. Those who submit their return electronically and pay by check, still need to file and pay by April 15.



Comparing Your Last Pay Stub To Your W-2

When you look at your W-2 form and your final pay stub, the numbers may not look the same. There is a reason, and it's to your benefit. Here's why!

Your pay stub is a statement of what you actually earned in wages and paid in taxes and deductions. It is also a statement of what the state paid in fringe benefits. Your W-2 is a wage statement that reports the taxable portion of your earnings to federal and state governments. To understand how we arrive at these figures let's take a look at the following areas.

1. Tax sheltered deductions

During the past calendar year, deductions for dental, pharmacy plans, health insurance and certain other voluntary deductions were exempt from all federal, Social Security (FICA) and state and local taxes. In addition, mandatory employee contributions to some retirement programs have been exempt from federal income tax, but not from Maryland income tax or Social Security (FICA).

Some other voluntary deductions, such as deferred compensation, are not subject to federal or state and local tax, but *are* subject to Social Security tax.

2. Wages subject to Social Security taxes

Deferred compensation contributions are subject to Social Security tax. Your deferred compensation is shown in box 12a through 12d of the W-2 form along with a federal identification code.

3. Wages subject to Federal income taxes

The amount shown in box 1 on your W-2 form is the amount that you report on your federal income tax return.

4. Wages subject to Maryland income taxes

The amount shown in box 16 on your W-2 statement represents your Maryland state taxable wage. The State Pickup Amount (first line on box 14 of the W-2) should be reported on line 3 of the Maryland Form 502 or line 19 of the Maryland Form 505. Remember to enter code "G" to indicate State Pickup on Form 505.

You cannot use Form 503 if you must enter the State Pickup Amount.

How Did We Arrive At The Taxable Amounts Reported On Your W-2?

This example will help you compare figures on your W-2 and final pay stub. Look at the final pay stub in the example:

Employee's Earnings Statement
 STATE OF MARYLAND
 COMPTROLLER OF MARYLAND
 240104 REVENUE ADMIN DIVISION
 144

Name COMPTROLLER, CATHY		Document ID RG9999	
Regular Pay Rate 1157.71		Pay Period Ending Date 12-16-2008	
Mar. Stat. S		Fed. Ex. 1	
Additional Fed. Tax		St. Ex. 1	
Additional St. Tax		County Code BC	

MD FILING STATUS: SINGLE

EARNINGS	HOURS	CURRENT	YEAR TO DATE
REGULAR	800	115771	3010046
*ST PD BENEFITS			
FICA SUBSIDY		8334	217736
PHARMACY SUB		9106	218544
DENTAL SUBSIDY		872	20928
RET/PEN SUB		6629	172354
UNEMPL INS SUB		65	1690
HEALTH INS SUB		20848	500352
MATCH TO MSRP		00	* FYTD * 60000

TAXES/DEDUCTIONS	CURRENT	YEAR TO DATE
FEDERAL TAX	12417	324888
FICA/MED	8334	217736
STATE TAXES	6457	168884
PHARMACY PLAN	2276	54624
UCC DENTAL	871	20904
401K-SAVE	2500	65000
ST EMP PEN-MOD	2322	60366
BC BS PPO	3679	88296
ST EMP CRED UN	5000	13000
MD CHARITY	3000	78000

Current	Earnings 115771	Taxes 27208	Deductions 19648	Net Pay 68915
Year To Date	3010046	711508	497190	1801348

000
 CATHY COMPTROLLER
 9999 SOMEWHERE STREET
 BALTIMORE MD 21213

The year to date (YTD) earnings are \$30,100.46. The employee in the example actually earned \$30,100.46. Of that money, the amount that will be reported on the W-2 is different because of tax sheltering, pretax deductions and the state pickup amount (see #4 on the previous page, "Wages subject to Maryland income tax").

It is important to understand that your final pay stub is your record of the actual wages you earned, the taxes and deductions you paid. The W-2 is a statement of only the taxable portion of those earnings.

\$27,208.56 was subject to federal income tax (Box 1 of the W-2)

\$28,462.22 was subject to Social Security (FICA/MED) tax (Box 3 & 5 of the W-2)

\$27,208.56 was subject to Maryland income tax (Box 16 of the W-2) as is the \$603.66 (first line "STPICKUP" of box 14 on the W-2).

1. Compare figures on your W-2

a Employee's social security number 999-99-9999		b Employer identification number 52-6002033		Copy C For Employee's Records (See Notice on Back of Copy "B") OMB No. 1545-0008 This information is being furnished to the IRS. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.			
c Employee's name, address and ZIP code STATE OF MARYLAND CENTRAL PAYROLL BUREAU P.O. BOX 2396 ANNAPOLIS, MD 21404-2396 52-6002033 S.S. # 69-0520001L		27,208.56		3,248.88			
		1 Wages, tips, other compensation		2 Federal income tax withheld			
		3 Social security wages		4 Social security tax withheld			
		5 Medicare wages and tips		6 Medicare tax withheld			
		7 Social security tips		8 Allocated tips		9 Advance EIC payment D 650.00	
d Control number 0000001		10 Dependent care benefits 12b Code		11 Nonqualified plans 12c Code		12a Code See inst. for box 12 12d Code	
e Employee's name, address and ZIP code 0000001 FD CATHY COMPTROLLER 9999 SOMEWHERE STREET BALTIMORE MD 21213		13 Statutory employee Retirement plan Third-party sick pay		14 Other STPICKUP 603.66			
		15 State Employer's state ID number MD 52-6002033		16 State wages, tips, etc. 27,208.56		17 State income tax 1,688.84	
		18 Local wages, tips, etc.		19 Local income tax		20 Locality name	

Form W-2 Wage and Tax Statement 2008 Department of the Treasury - Internal Revenue Service

These total tax sheltered deductions, plus the amounts shown in box 1 of form W-2 will total the year-to-date earnings reported on the final pay stub:

Box 1 of W-2	\$27,208.56
Sheltered Deductions	<u>+ 2,891.90</u>
Y-T-D Earnings	\$30,100.46

2. With the final pay stub:

The final pay stub lists the following year-to-date tax sheltered deductions:

Pharmacy Plan	\$546.24
UCC Dental	209.04
St Emp Pen-Mod	603.66
401K – Save	650.00
BC/BS PPO	<u>+ 882.96</u>
	\$2,891.90

3. Wages subject to Social Security taxes

Deferred compensation contributions *are* subject to Social Security tax. The amount of deferred comp, in this case \$650.00, is shown in box 12a of the W-2 form, along with a federal identification code. To reconcile the amount of Social Security wages reported in boxes 3 and 5 of your W-2, subtract only the FICA exempt deductions from the year-to-date earnings shown on your final pay stub. In the example, Social Security (FICA) tax must be withheld on \$28,462.22

Y-T-D Earnings	\$30,100.46
UCC Dental	- 209.04
Pharmacy Plan	- 546.24
BC/BS PPO	<u>- 882.96</u>
Boxes 3 & 5 S.S. Wage/Med Wage	\$28,462.22

4. Wages subject to Federal income tax

The amount shown in box 1 on your W-2 form is the amount that you report on your federal income tax return.

5. Wages subject to Maryland income tax

To reconcile your W-2 Maryland state wage box 16 to your year-to-date amount on your final pay stub follow the steps below.

Add the total Maryland tax sheltered deductions and the retirement deduction (which is added back to the state wage amount from the State Pickup amount shown in box 14), plus the amounts shown in box 16 of the W-2. The total reflects year-to-date earnings reported on the final pay stub:

Box 16 of W-2	\$27,208.56
Retirement (STPICKUP) Deduction	603.66
Maryland Sheltered Deductions	<u>+ 2,288.24</u>
Y-T-D Earnings	\$30,100.46

In this example the final pay stub lists the following year-to-date Maryland tax sheltered deductions:

Pharmacy Plan	\$546.24
Dental	209.04
401K – Save	650.00
BC/BS PPO	+ 882.96
	<u>\$2,288.24</u>

6. Mandatory retirement deductions and the Maryland state pickup amount

The final pay stub also lists the year-to-date amount for any mandatory retirement deductions that you paid during the year that are not subject to federal tax, but are subject to Maryland state and local tax. The state pickup amount is reported in box 16 as a reduction, but is treated as an addition to Maryland state wages when preparing your Maryland tax form. The State Pickup Amount on your W-2 should be reported on line 3 of the Maryland Form 502 or line 19 on Maryland Form 505. Remember to use code “G” to indicate the amount is State Pickup on Form 505.

Although this is a simplified example, it applies to most state employees and is a useful model for most situations. If you have other kinds of deductions and have questions about how they are handled, contact:

Central Payroll at 410-260-7964 from Central Maryland

or

1-888-674-0019 from elsewhere in Maryland.

You may be eligible for an Earned Income Credit !

The Earned Income Credit (EIC) helps low-income workers stay afloat with cash payments. You may be eligible for the program on your federal and Maryland income tax return if you earned less than:

\$33,995 with one child

\$38,646 with two or more children

\$12,880 with no children

An employee who is eligible for the Earned Income Credit program and has a qualifying child is entitled to receive EIC advanced payments with his or her pay during the year.

To find out more about the Earned Income Credit or the Advanced Earned Income Credit Payment, call the Maryland Comptroller’s Taxpayer Service Unit – 410-260-7980 from Central Maryland

or

1-800-MD TAXES from elsewhere or the IRS at 1-800-829-1040.

Keep this with your tax records.

Thank you for visiting our Web site.