



# YOUR 2004 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 2004, you cannot file Maryland Form 503. You must file either Form 502 (for residents) or Form 505 (for nonresidents).

### Why should you e-file?

- State employees can get their Maryland tax refunds in 48 hours and put money back into state government by filing electronically.
- E-filing is easy, safe and saves money. Electronically filed returns cost one-fifth the amount to process compared to paper returns. So e-filing is a good way to save state tax dollars, more than \$1 million this year.

[www.marylandtaxes.com](http://www.marylandtaxes.com)



## 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				Social Security Number		Name	
STATE OF MARYLAND COMPTROLLER OF MARYLAND 240104 REVENUE ADMIN DIVISION 144				999-99-9999		C. COMPTROLLER	
Regular Pay Rate		Pay Period Ending Date		Check/Advice Number			
1157.71		12-21-2004		12345678			
Mar. Stat.	Fed. Ex.	Additional Fed. Tax	St. Ex.	Additional St. Tax	County Code		
S	1		1		BC		

  

EARNINGS	HOURS	CURRENT	YEAR TO DATE	TAXES/DEDUCTIONS	CURRENT	YEAR TO DATE
REGULAR	800	115771	3010046	FEDERAL TAX	12417	324888
*ST PD BENEFITS				FICA/MED	8334	217736
FICA SUBSIDY		8334	217736	STATE TAXES	6457	168884
PHARMACY SUB		9106	218544	PHARMACY PLAN	2276	54624
DENTAL SUBSIDY		872	20928	UCC DENTAL	871	20904
RET/PEN SUB		6629	172354	401K-SAVE	2500	65000
UNEMPL INS SUB		65	1690	ST EMP PEN-MOD	2322	60366
HEALTH INS SUB		20848	500352	BC BS PPO	3679	88296
				ST EMP CRED UN	5000	130000
				MD CHARITY	3000	78000

  

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

000

CATHY COMPTROLLER  
9999 SOMEWHERE ST  
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 Control number		b Employer identification number		Copy B To Be Filed With Employee's FEDERAL Tax Return				OMB No. 1545-0008	
0000001		52-6002033		1 Wages, tips, other compensation 27,208.56		2 Federal income tax withheld 3,248.88			
c Employer'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				3 Social security wages 28,462.22		4 Social security tax withheld 1,764.66			
				5 Medicare wages and tips 28,462.22		6 Medicare tax withheld 412.70			
				7 Social security tips		8 Allocated tips		9 Advance EIC payment	
d Employee's social security number 999-99-9999				10 Dependent care benefits		11 Nonqualified plans		12a Code See instructions for box 12	
e Employee's name, address, and ZIP code 0000001 CATHY COMPTROLLER 9999 SOMEWHERE ST BALTIMORE MD 21223				12b Code		12c Code		12d Code	
				13 Statutory employee <input type="checkbox"/>		14 Other STPICKUP 603.66			
				Retirement plan <input checked="" type="checkbox"/>		Third-party sick pay <input type="checkbox"/>			
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name			
MD	52-6002033	27,208.56	1,688.84						

Form W-2 Wage and Tax Statement 2004  
This information is being furnished to the Internal Revenue Service. 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	+ 2,891.90
Y-T-D Earnings	<u>\$30,100.46</u>

**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	+ 882.96
	<u>\$2,891.90</u>

**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	+ 2,288.24
Y-T-D Earnings	<u>\$30,100.46</u>

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 your earned less than:

- \$30,338 with one child
- \$34,458 with two or more children
- \$11,490 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 Earned Income Credit or Advanced Earned Income Credit Payment, call the Maryland Comptroller’s Office – 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.