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Reporting Back Pay and Special Wage Payments to the Social Security Administration



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Introduction

The Social Security Administration (SSA) has special rules for back pay awarded by a court or government agency under a statute (a law) to enforce a worker's protection law. The SSA also has rules for reporting special wage payments made to employees after they retire. These rules enable the SSA to correctly compute an employee's benefits under the social security earnings test. These rules are for social security coverage and benefit purposes only. This publication — written primarily for employers — discusses what are back pay under a statute and special wage payments. It also explains how to report these payments to the SSA.

What Is Back Pay?

Back pay is pay received in a tax year(s) for actual or deemed employment in an earlier tax year(s). For social security coverage and benefit purposes, all back pay, whether or not under a statute, is wages if it is payment for covered employment. Damages for personal injury, interest, penalties, and legal fees included with back pay awards, are not wages. Report **all** back pay. However, the tax year(s) for which back pay is credited as wages for social security purposes is different if it is awarded under a statute.

Back Pay Under a Statute

Back pay awarded under a statute is a payment by an employer pursuant to an award, determination or agreement approved or sanctioned by a court or government agency responsible for enforcing a federal or state statute that protects an employee's right to employment or wages.

Examples of pertinent statutes include:

- Age Discrimination in Employment Act,
- Americans with Disabilities Act,
- Equal Pay Act,
- Fair Labor Standards Act,
- National Labor Relations Act,
- State minimum wage laws, and
- State statutes that protect rights to employment and wages.

Payments based on laws that have a similar effect to those listed above also may qualify as payments made under a statute.



Back pay awards, under some of the statutes listed above, may be compensation for personal injury and not pay for employment. Such awards are not wages for social security coverage purposes.

If a court-approved or sanctioned settlement agreement states that the agreement is not an admission of discrimination, liability, or act of wrongdoing, the statement does not change the nature of a back pay award. The payments made in such a settlement may still be back pay and wages under the rules discussed here.

Nonstatutory Back Pay

A payment for back wages negotiated between an employer and employee without an award, determination or sanction by a court or government agency is back pay. However, it is not made under a statute. Delayed wage payments and retroactive pay increases resulting from union negotiation or payments under local ordinances or regulations are back pay and are wages. However, they are not payments made under a statute.

If you are uncertain whether the back pay award was under a qualified statute, you may need to contact your personnel department or legal counsel or the attorney who filed the suit.

Reporting Back Pay

Employers should use Form W-2, *Wage and Tax Statement*, or magnetic media wage reports to report back pay as wages in the year they actually pay the employee.

Example. In 1997, Terry Morris earned wages of \$50,000. In the same year, she received \$100,000 in settlement of a back pay case against her employer that covered the periods January 1992 through December 1996. Her employer properly reflected social security wages of \$65,400 and Medicare wages of \$150,000 on her 1997 Form W-2.

However, if an employer did not include back pay wages on a previously filed Form W-2 or magnetic media wage report, the employer should prepare a wage correction report, Form W-2c, *Corrected Wage and Tax Statement* or magnetic media, to add the back pay award to the wages previously reported.

Example. If, in the above example, Terry Morris' employer had prepared her 1997 Form W-2 reporting social security and Medicare wages of only \$50,000 each, the employer would have to correct that report. A Form W-2c correcting the 1997 Form W-2 would show previously reported social security and Medicare wages of \$50,000 and the correct amount of \$65,400 for social security and \$150,000 for Medicare.

The Internal Revenue Service (IRS) and the SSA consider back pay awards to be wages. However, for income tax purposes, the IRS treats all back pay as wages *in* the year paid.

If a back pay award is not made under a statute, the SSA credits back pay as wages when paid. However, the SSA (if advised) credits back pay awarded under a statute to the year(s) it should have been paid.

SSA treatment of back pay under a statute.

Under the law, the SSA credits back pay awarded *under a statute* to an individual's earnings record in the period(s) wages should or would have been paid. This is important because wages not credited to the proper year may result in lower social security benefits or failure to meet the requirements for benefits.

However, back pay under statute payments will remain posted to the employee's

social security earnings record in the year reported on Form W-2 (or Form W-2c) **unless** the employer or employee notifies the SSA (in a separate, special report) of the back pay under a statute payment. Then, the SSA can allocate the statutory back pay to the appropriate periods.



The law does not require that employers notify the SSA of the different period(s) involved in a back pay under statute case. If employers do notify the SSA of this payment, they should prepare a special report (with the information noted below) and send it to:

Social Security Administration
Office of Central Records Operations
Metro West
Attn: Back Pay (DCC) Analyst Staff
300 North Greene Street
Baltimore, Maryland 21202

Be sure to send this special report to the above address because the SSA handles it separately from other reports.



TIP If you paid the back pay award in the same tax year to which it applies, report the wages on that year's Form W-2. No further action is necessary.

Example. In 1997, Judy Wilson received a salary of \$30,000 and a back pay under statute award of \$2,000 for the period January through June 1997. Her employer properly reported wages of \$32,000 for social security and Medicare on her 1997 Form W-2. No further action is necessary.

Information the SSA needs to properly credit back pay under a statute (special report).

You should send the special report to the SSA **when or after** you submit the Form W-2 (or magnetic media) to the SSA for the year you pay the statutory back pay to the employee. There is no statute of limitations on the filing of the special report to enable the SSA to allocate the wages. The SSA needs the following information:

- 1) The employer's name, address, and employer identification number (EIN).
- 2) A signed statement citing the federal or state statute under which the payment was made. (If the statute is **not** identified, the SSA will assume the payment was not under a statute and will not allocate to earlier period(s).)
- 3) The name and telephone number of a person to contact. (The SSA may have further questions concerning the back pay case or the individual employee's information.)
- 4) A list of employees receiving the payment and the following information for each employee:
 - a) The tax year you paid and reported the back pay.
 - b) The employee's social security number (SSN).
 - c) The employee's name (as shown on his or her social security card).

- d) The amount of the back pay award excluding any amounts specifically designated otherwise, e.g. damages for personal injury, interest, penalties, and legal fees.
- e) The period(s) the back pay award covers (beginning and ending dates—month and year).
- f) The other wages paid (if none, show zero) subject to social security and/or Medicare taxes and reported in the same year as the back pay award.* Do not include the back pay award shown in that wage report. (If you originally submitted the report under an establishment number, show that number and the amount of money that is to remain under that establishment number.)
- g) The amount to allocate to each reporting period.* This includes any amount you want allocated (if applicable) to the tax year of the award payment. (If you do not give the SSA specific amounts to allocate, the SSA does the allocation by dividing the back pay award by the number of months or years covered by the award.)

***Note:** For periods before January 1, 1978 (before January 1, 1981, for state and local government employers covered by a section 218 agreement), show the wage amounts by calendar quarters, i.e., quarters ending March 31, June 30, September 30 and December 31. For **all** tax years, show and identify the social security and/or Medicare Qualified Government Employment (MQGE) wages (where applicable) separately. (MQGE is applicable to federal employees beginning in 1983, and for certain state and local government employees beginning in 1986.) For tax years 1991 and later, list the social security and Medicare wages separately. If you originally reported the individual's wages under an establishment or payroll record unit number, show the amount of wages to remain in the award year for that number (and furnish that number to the SSA along with the EIN).

Questions

If you have questions concerning back pay under a statute, contact your local social security office.

Exception: If you are a state or local government employer who was covered by an agreement under Section 218 of the Social Security Act before January 1, 1987, and you paid a back pay award **before January 1, 1987, which you did not report to the SSA**, contact your state Social Security Administrator's office.



If the state Social Security Administrator's office needs more information they can contact the SSA at the following address:

Social Security Administration
Office of Program Benefits Policy
Division of Coverage & Support
6401 Security Boulevard
Baltimore, MD 21235

Table 1. Format for Report (Under Covering Letter) to Request SSA to Allocate Back Pay Under Statute Wages

Employer's EIN: xx-xxxxxxx

Tax Year In Which Award Payment Was Paid: 1997

(1) SSN and Employee Name	(2) ¹ Award Amount and Period(s)	(3) ^{2,3} Other Soc. Sec./Med. Wages Paid In Award Year		(4) ³ Allocation		
		Soc. Sec.	Med./MQGE	Year	Soc. Sec.	Med./MQGE
xxx-xx-xxxx HELEN T. SMITH	\$100,000 1/94-12/97	\$40,000	\$40,000	1994	\$20,000	\$20,000
				1995	25,000	25,000
				1996	27,000	27,000
				1997	28,000	28,000
xxx-xx-xxxx SAM W. EVANS	30,000 7/89-12/91	-0-	-0-	1989		6,000
				1990		12,000
				1991		12,000
xxx-xx-xxxx ROLAND S. ADAMS	15,000 7/80-12/81	-0-	-0-	9/80	3,500	
				12/80	3,500	
				1981	8,000	

¹Exclude amounts specifically designated as damages, penalties, etc.

²Exclude the amount of back pay, if any, included in that amount.

³For periods before January 1, 1978, (and for state and local government (Section 218) employers before January 1, 1981), show the wage amounts by calendar quarters. The social security and/or Medicare Qualified Government Employment (MQGE) wages (where applicable) must be shown separately FOR ALL YEARS. (Wages subject ONLY to MQGE would be shown in the Medicare/MQGE column; no wages would be shown in the Soc. Sec. column.) For tax years 1991 and later, the social security and Medicare wages must be listed separately.

Explanation of examples:

Helen T. Smith—The back pay award, excluding interest, was \$100,000 for the periods 1/94-12/97. In 1997 this employee was also paid \$40,000 in other wages. (Her W-2 for 1997 reported \$65,400 for social security and \$140,000 for Medicare. The SSA allocation will result in posted wages of \$65,400 for social security and \$68,000 for Medicare for 1997.)

Sam W. Evans—The back pay award was \$30,000 for the periods 7/89-12/91. This employee was hired in 1989 and was subject to MQGE only. He was no longer employed by this governmental employer in 1997. (His W-2 for 1997 reported \$30,000 for social security and \$30,000 for Medicare. After the SSA allocation, he will not have any posted wages for 1997.)

Roland S. Adams—The back pay award was \$15,000 for the periods 7/80-12/81. He was no longer employed by this state and local government (Section 218) employer in 1997. (His W-2 for 1997 reported \$15,000 for social security and \$15,000 for Medicare; after the SSA allocation, he will not have any posted wages for 1997.)

Format for Report to the SSA

Use the format shown in Table 1 to send the SSA the information needed to properly credit back pay under a statute.

However, in a **cover letter**, include the following information:

- 1) The name and address of the employer,
- 2) The statute under which you paid the back pay,
- 3) The name and telephone number of the employer contact, and
- 4) The signature of the reporting official.



Under certain circumstances, back pay may be a special wage payment and excluded from wages counted under the social security earnings test. If you pay back pay to an employee age 61 or older, report it to the SSA in accordance with this section and also follow the instructions in the next section to report it as a "Special Wage Payment."

Special Wage Payments

A special wage payment is an amount paid by an employer to an employee (or former employee) for services performed in a prior year. Special wage payments made to a re-

tired employee receiving social security or to an employee who continues to work while receiving social security benefits may, if not reported to the SSA, reduce the benefits the individual receives. Employers should report to the SSA special wage payments made to employees and former employees who are recipients of social security retirement benefits. Special wage payments may include (but are not limited to):

- Accumulated sick and vacation pay,
- Back pay,
- Bonuses,
- Deferred compensation,
- Payments because of retirement,
- Sales commissions,
- Severance pay, and
- Stock options.

Note. Payments made after retirement that are part of the normal payroll cycle should not be routinely reported as special wage payments.

Earnings Test. Benefits paid to a social security recipient under age 70 may be reduced if the recipient continues to work. The SSA uses the information in boxes 1, 3, and 5 of Form W-2 to determine the beneficiary's current year earnings. Special wage payments, which are for services performed in a prior year, will increase the current year earnings on Form W-2, which in turn may

result in a reduction in the recipient's benefits. If a benefit is reduced because of a special wage payment, the beneficiary must get documentation from the employer before the SSA can restore the deducted portion. Therefore, employer reports of special wage payments help prevent incorrect benefit reductions.

Reporting Special Wage Payments

Employers must report special wage payments for income tax purposes and social security and Medicare taxes in the year received. Report income, social security, and/or Medicare taxes for special wage payments on Form W-2.



See below for reporting nonqualified deferred compensation plan deferrals and payments on Form W-2.

In addition, report to the SSA special wage payments made during the reporting year to retired employees and employees who continue to work while receiving social security benefits. Submit reports after the close of the tax year. To avoid delays in processing, submit reports in time to reach the SSA by April 1. Use one of the following reporting methods.

Magnetic media. Special wage payments may be reported on magnetic computer tape or 3480 cartridges. The SSA does not accept special wage payment reports on diskettes. Use the specifications and record layout in Table 2. Include a transmittal using the format shown in Table 3 for each tape or cartridge

submission. Mail magnetic media reports to the SSA at the address shown in Table 3.

Tapes or cartridges not meeting the specifications in Table 2 will be rejected. All data must be in capital letters. "Year" refers to the year the payment was reported as wages on Form W-2. Do not use punctuation (periods and/or commas) in the name field.



Do not report payments from non-qualified deferred compensation (or section 457) plans that were reported in box 11 of Form W-2. (Use Form SSA-131 if deferrals to and payments from nonqualified or section 457 plans occurred during the tax year.)

Paper listing. A paper listing can be used to report special wage payments to several employees. Use the format in Table 4. Submit paper listings to the local SSA office nearest your place of business.



Do not report payments from non-qualified deferred compensation (or section 457) plans that were reported in box 11 of Form W-2. (Use Form SSA-131 if deferrals to and payments from nonqualified or section 457 plans occurred during the tax year.)

Form SSA-131. Use Form SSA-131 to report special wage payments made to one employee. Also, use this form to report non-qualified deferred compensation and section 457 plan deferrals and payments that could not be reported in box 11 of Form W-2. Form SSA-131 and instructions are in Tables 5 and 6.



Form SSA-131 and instructions in Tables 5 and 6 are drafts. The form and instructions are pending Office of Management and Budget final approval. They should be available from the Social Security Administration after October 1997.

Submit Form SSA-131 to the SSA office nearest your place of business. Or, the employee can submit it to the SSA office handling the claim. You or the employee must submit this form before the SSA can exclude the special wage payments for purposes of the earnings test. If reporting on more than one employee complete a separate Form SSA-131 for each or use the paper listing format (except for reporting nonqualified and section 457 plan deferrals and payments), in Table 4.

Reporting Stock Options as Special Wage Payments

An option to purchase stock which is exercised in a year after the year in which the option was earned is a special wage payment. It should not count for the social security earnings test. Options exercised as special wage payments by retired employees or employees who continue to work while receiving social security benefits should be reported by employers using the above reporting methods.

Nonqualified Deferred Compensation and Section 457 Plans

A nonqualified deferred compensation plan is a plan or arrangement established and maintained by an employer for one or more of its employees that provides for the deferral of compensation, but does not meet the requirements for a tax-qualified deferred compensation plan. For social security and Medicare purposes, deferred compensation plans for employees of state and local governments (section 457 plans) are treated the same as nonqualified plans. Nonqualified and section 457 plans are reported differently than other special wage payments. Report them on Form W-2 using the following instructions.

Reporting Amounts Deferred to Nonqualified and Section 457 Plans

Nonqualified deferred compensation is subject to social security and Medicare tax when deferred, i.e., generally, when the related services are performed. However, if nonqualified and section 457 plans contain provisions that delay the employee's right to receive payments from the plan, a period of substantial risk of forfeiture exists. The plan's deferrals, or contributions, are not subject to social security and Medicare taxes until the period of substantial risk of forfeiture ends.

No risk of forfeiture. If there is no risk of forfeiture, report wage amounts deferred to a nonqualified deferred compensation or section 457 plan in box 3 (up to the wage base maximum) and/or box 5 of Form W-2.

Example. Company X's nonqualified deferred compensation plan allows the deferral of up to \$20,000 of employee salaries each year. The plan has no risk of forfeiture. Employee A defers \$20,000 to the plan from a total salary of \$200,000.

Form W-2 Completion

Box	Amount
1	\$180,000
3*	65,400
5	200,000

* Wage base maximum for tax year 1997

Risk of forfeiture lapses before retirement. If the substantial risk of forfeiture lapses before the employee retires, report all past contributions to the plan (or the value of the plan), including accumulated earned interest, in box 3 (up to the wage base maximum) and/or box 5 of Form W-2. The accumulated deferrals are reported along with any other social security and Medicare wages earned during the year.

Report in **box 11 of Form W-2** the amount of deferrals, including any accumulated interest, that became taxable for social security and Medicare taxes during the year (but were for prior year services) because the deferred amounts were no longer subject to a substantial risk of forfeiture. If the employee continues working, future deferrals are social security and Medicare wages when they are earned.



Do not include in box 11 deferrals that are included in boxes 3 and/or 5 and that are for current year services.

Risk of forfeiture lapses at retirement.

When an employee's right to a payment is conditioned upon working until retirement, report all past contributions to the plan (or the value of the plan), including accumulated earned interest, as social security and/or Medicare wages in the year of retirement. Add the amount to other wages paid in that year, and enter in box 3 (up to the wage base maximum) and/or box 5 of Form W-2.

Report in **box 11 of Form W-2** the amount of deferrals, including any accumulated interest, that became taxable for social security and Medicare taxes during the year (but were for prior year services) because the deferred amounts were no longer subject to a substantial risk of forfeiture.



Do not include in box 11 deferrals that are included in boxes 3 and/or 5 and that are for current year services.

Example—risk of forfeiture. At the end of the risk-of-forfeiture period for Company Y's nonqualified deferred compensation plan, employee B's accumulated deferrals, plus interest earned by the plan, are \$120,000, not including B's \$20,000 deferral for this year. B's wages, including this year's deferred amount, are \$80,000.

Form W-2 Completion

Box	Amount
1	\$60,000
3*	65,400
5	200,000
11	120,000

* Wage base maximum for tax year 1997

Reporting Payments From Nonqualified and Section 457 Plans

When an employee or former employee retires and begins receiving payments or distributions from a nonqualified or section 457 plan, **report the payments in boxes 1 and 11 of Form W-2.** Separately identify section 457 plan distributions in box 11 by entering code G followed by a space, and then the dollar amount. However, if reporting a distribution from both a nonqualified plan and section 457 plan, report it as a single amount in box 11 and do not enter code G.

Example. Employee D retired from the XYZ company and began receiving social security benefits. XYZ paid D a \$12,000 bonus upon retirement for sales made in a prior year, and D received \$25,000 in payments from XYZ's nonqualified deferred compensation plan. In addition, D agreed to continue performing services for XYZ, but on a part-time basis for wages of \$15,000 per year. D made no deferrals to the nonqualified plan this year.

Form W-2 Completion

Box	Amount
1	\$52,000
3	27,000
5	27,000
11	25,000

Report the \$12,000 bonus to the SSA using Form SSA-131, magnetic media or a paper listing. See the format shown later in Tables 2 through 6, and see the discussion above under *Reporting Special Wage Payments.*

Reporting Payments and Deferrals In the Same Year

Do not complete box 11 when payments are made from a nonqualified plan *and* deferrals are reported in boxes 3 and/or 5 of Form W-2 (including current year deferrals). Report to the SSA on Form SSA-131 the total amount the employee earned during the tax year. Normally, the amount earned is the amount reported in box 1 of Form W-2 less payments from a nonqualified (section 457) plan, but including any amounts deferred under the

plan during the tax year. See Form SSA-131 and instructions in Tables 5 and 6. **Form SSA-131 should be available from the SSA after October 1997.**

Example. Employee K retired this year from Company XYZ and began receiving social security benefits. During the year he earned wages of \$50,000 and deferred \$35,000 of the wages into the company's nonqualified deferred compensation plan. K also received \$75,000 in payments from the company's nonqualified plan.

Form W-2 Completion	
Special Wage Payment	\$75,000
Wages	50,000
Minus: deferral	<u>35,000</u>
Total reported in Box 1	<u>\$90,000</u>

Wages including deferral reported in Boxes 3 and 5	\$50,000
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Leave Box 11 blank	
File Form SSA-131	-0-

Form SSA-131 Completion	
Amount from box 1 of Form W-2	\$90,000
Minus: payments from a nonqualified plan	75,000
Plus: amounts deferred into the plan during the year	<u>35,000</u>
Total wages earned for purposes of Form SSA-131 (item 6)	<u>\$50,000</u>

Table 2. Specifications for Magnetic Media Reporting of Special Wage Payments

FILE NAME: SOSWAP.PXXXXXXX¹ (XXXXXXX¹ = FIRST 7 LETTERS OF COMPANY NAME)

- A. DENSITY : 6250 BPI
- B. LABEL : SL
- C. RECORD FORMAT : FB
- D. RECORD LENGTH : 55
- E. BLOCK SIZE : 23430
- F. CODING SCHEME : EBCIDIC

DATA RECORD

SEQ #	TYP	FLD SIZE	BEG POS	END POS	DATA ELEMENT NAME	COMMENTS
1	N	9	1	5	SOCIAL SECURITY NUMBER	PACKED
2	A	15	6	20	SURNAME	
3	A	11	21	31	FIRST NAME	
4	A	1	32	32	MID INITIAL	
5	N	9	33	37	EMPLOYER IDENTIFICATION NUMBER	PACKED
6	N	11	38	43	AMOUNT OF SWP S9 (09) v99	PACKED AND SIGNED
7	N	2	44	45	CENTURY	
			46	47	YEAR	
8	AN	4	48	51	ESTABLISHMENT CODE	
9	AN	6	52	55	FILLER	

PLEASE PREPARE AN EXTERNAL LABEL WITH THE FOLLOWING INFORMATION:

SPECIAL WAGE PAYMENTS — TYPE: SWP

DSN: SOSWAP.PXXXXXXX¹ Payment Year _____
 EIN: NNNNNNNNN² Reel _____ of _____
 Company Name: _____
 Record Count: _____ Return Tape? Y N
 Block Size _____ LRECL _____ Density _____
 Vol Ser # _____ Label? SL/NL

¹XXXXXXX = FIRST SEVEN LETTERS OF THE COMPANY NAME

²NNNNNNNNN = THE COMPANY'S EMPLOYER IDENTIFICATION NUMBER

Table 3. Sample Transmittal Form for Submission of Special Wage Payment Data

<p>1. Name and address of company (Include street, city, state and zip code) DO NOT USE P.O. BOX ADDRESSES</p>	<p>2. Contact name and phone number (Provide name, area code and number of person SSA should contact regarding this tape)</p>
<p>3. Process type—SWP</p>	<p>4. Payment year</p>
<p>5. EIN</p>	<p>6. Data set name SOSWAP.P _____ (First 7 characters of company name)</p>
<p>7. Label type (e.g., SL, NL)</p>	<p>8. Tape density</p>
<p>9. Block size/LRECL</p>	<p>10. Record count</p>
<p>11. Volume serial number(s)</p>	<p>12. Number of reels</p>
<p>13. Date this tape was mailed</p>	

Mail your tapes/cartridges to:

**Social Security Administration
Tape Operations Section
Attn: Outside Agency
National Computer Center
6201 Security Boulevard
Baltimore, Maryland 21235**

Please include a transmittal for each tape and/or cartridge submission.

Table 4. **Sample Format—Paper Listing**

Report of Special Wage Payments		Tax Year: _____	Page _____ of _____
<p>A. Employer Name: _____ EIN: _____</p> <p>Address: _____ Contact Name: _____</p> <p>_____ Phone: () _____</p> <p>.....</p>			
1)	<p>B. Employee Name: (Last) _____ (First) _____ (MI) _____</p> <p>C. SSN: _____ D. SWP:\$ _____ E. Type: _____ Other: _____</p>		
2)	<p>B. Employee Name: (Last) _____ (First) _____ (MI) _____</p> <p>C. SSN: _____ D. SWP:\$ _____ E. Type: _____ Other: _____</p>		
3)	<p>B. Employee Name: (Last) _____ (First) _____ (MI) _____</p> <p>C. SSN: _____ D. SWP:\$ _____ E. Type: _____ Other: _____</p>		
4)	<p>B. Employee Name: (Last) _____ (First) _____ (MI) _____</p> <p>C. SSN: _____ D. SWP:\$ _____ E. Type: _____ Other: _____</p>		
5)	<p>B. Employee Name: (Last) _____ (First) _____ (MI) _____</p> <p>C. SSN: _____ D. SWP:\$ _____ E. Type: _____ Other: _____</p>		
<p>INSTRUCTIONS: Enter tax year and page number. A. Employer name, employer identification number (EIN), address, the name of a contact person and a phone number where the contact person can be reached during normal business hours. B. Employee's name. C. Employee's social security number (SSN). D. Total amount of special wage payments made to the employee. E. Type of special wage payment from the following list: 1. Vacation Pay; 2. Sick Pay; 3. Severance Pay; 4. Bonus; 5. Deferred Compensation; 6. Stock Options; 7. Other—Please explain. Do not use a paper listing for nonqualified deferred compensation and section 457 plan deferrals and payments that could not be reported in block 11 of Form W-2 (Get Form SSA-131).</p>			

EMPLOYER REPORT OF SPECIAL WAGE PAYMENTS

PART 1—TO BE COMPLETED BY SSA/EMPLOYER

Tax Year	Employee Name	Employee's SSN	SSA Claim Number (To be completed by SSA)
Employer		Address	

PART 2—TO BE COMPLETED BY EMPLOYER

Employees are sometimes paid wages *in a year* subsequent to the year that the wages were earned. The most common types of payments are accumulated (for prior years) vacation pay or sick pay paid after retirement; deferred compensation; severance pay (when paid on account of retirement) and bonuses—paid pursuant to a prior agreement or contract.

Wages which are earned in a year prior to the year they are paid usually do not affect benefits payable under the Social Security annual earnings test. However, for the Social Security Administration to pay benefits accurately, these prior year amounts must be reported to us. The above named individual has filed for Social Security benefits. To ensure that correct Social Security benefits are paid, please complete the information below and return this form to the Social Security Administration.

1. Employer Identification Number (EIN)	2. Retirement date (MM/DD/YY)	3. Date employee last performed services (MM/DD/YY)
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If the dates in items 2 and 3 are not the same, please explain the difference.

4. For wages paid to the employee in the "tax year" (see Part 1 above), enter the amount that was earned prior to the tax year; or was not attributable to services rendered during the tax year; or was paid on account of retirement: _____ \$ _____

Check the type(s) of wages paid in the tax year but earned in a prior year or were paid on account of retirement.

- Vacation Pay
 Sick Pay
 Severance Pay
 Bonus
 Deferred Compensation
 Other (*Explain*) _____

5. Will payments listed in item "4" be made for years after the tax year? Yes No

If answered Yes, please show the amounts and years in which these amounts will be paid, if known.

6. Nonqualified deferred compensation and section 457 plans only. If payments and deferrals occurred during the tax year, enter the amount of wages **earned** by the employee during the tax year. \$ _____

Signature

Title	Date	Phone Number (_____) _____ - _____
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Table 6. Instructions for Form SSA-131

EMPLOYER INSTRUCTIONS FOR COMPLETING SPECIAL WAGE PAYMENT FORM

1. Provide the EIN that was used or will be used to report the employee's wages on the Form W-2.
2. Enter the date the employee retired. Enter "Not Retired" if the employee has not retired.
3. Enter the date that the employee last performed services; was not expected to return to work; and was not subject to recall to render additional services. This date should be the same as or earlier than the date in item "2." Enter "Not Retired" if the employee has not retired.
4. Enter the wages paid to the employee in the tax year that were for services performed in years *prior* to the tax year or that were paid on account of retirement.
5. Check whether payments listed in item 4 will be made for years after the tax year. If yes, please show the amounts and years in which these will be paid, if known.
6. **Nonqualified deferred compensation and section 457 plans only.** If you were unable to report nonqualified deferred compensation or section 457 plan payments and deferrals (contributions) on Form W-2 because both payments and deferrals occurred during the year, show the amount of wages **earned** by the employee during the tax year. Generally, the wages earned will be the compensation reported in block 1 of Form W-2 less payments from a nonqualified deferred compensation (or 457) plan, but including any amounts deferred under the plan during the tax year (See Publication 957).

Examples (not all inclusive) of payments to be included:

- Payments in lieu of vacation that were earned in a year *prior* to the tax year.
- Accumulated sick payments which were paid in a lump sum based on "retirement" as the sole condition of payment.
- Accumulated sick payments paid at or after the date in item 3, which were earned in a year prior to the tax year.
- Payments "on account of retirement"—dismissal, severance, or termination pay paid because of retirement.
- Bonuses which are paid pursuant to a prior contract, agreement, or promise causing the employee to expect such payments regularly; or announced to induce the employee to work more steadily, rapidly, or efficiently or to remain with the employer.
- Stock Options.

Do not include in item "4" payments:

- For annual, sick, holiday, or vacation pay if used (absence from work) prior to the date of retirement (earlier of items "2" or "3").
- That were reported or will be reported under "Nonqualified Plans" on the Form W-2.
- That were deducted from the employee's wages and paid to a deferred compensation plan (e.g., 401k).
- Employees health and dental plan benefits (non-covered/non-taxable for Social Security Wages).
- Bonuses *earned* and *paid* in the tax year.

Paperwork/Privacy Act Notice: This report is authorized by law 20 CFR 404.702. The information that you provide will be used in making a determination regarding the amount of Social Security benefits payable to the above named individual. While your response is voluntary, if you do not respond we may not be able to make a correct determination regarding the amount of Social Security benefits payable to the above named individual for the year in question.

We may also use the information you give us when we match records by computer. Matching programs compare our records with those of other Federal, State, or local government agencies. Many agencies may use matching programs to find or prove that a person qualifies for benefits paid by the Federal Government. The law allows us to do this even if you do not agree to it.

Explanations about these and other reasons why information you provide us may be used or given out are available in Social Security Offices. If you want to learn more about this, contact any Social Security Office.

The Paperwork Reduction Act of 1995 requires us to notify you that this information collection is in accordance with the clearance requirements of section 3507 of the Paperwork Reduction Act of 1995. We may not conduct or sponsor, and you are not required to respond to, a collection of information unless it displays a valid OMB control number.

TIME IT TAKES TO COMPLETE THIS FORM

We estimate that it will take you about 20 minutes to complete this form. This includes the time it will take to read the instructions, gather the necessary facts and fill out the form. If you have comments or suggestions on this estimate, write to the Social Security Administration, ATTN: Reports Clearance Officer, 1-A-21 Operations Bldg., Baltimore, MD 21235-0001. Send only comments relating to our "time it takes" estimate to the office listed above. All requests for Social Security cards and other claims-related information should be sent to your local Social Security office, whose address is listed under Social Security Administration in the U.S. Government section of your telephone directory.

Form SSA-131 (4-97)