Important W-2 & 1099 Changes for 2013

W-2

$2,500 limit on health flexible spending arrangement (FSA)—For plan years beginning after December 31, 2012, a cafeteria plan may not allow an employee to request salary reduction contributions for a health FSA in excess of $2,500.

Additional Medicare Tax—Beginning January 1, 2013, an employer is required to withhold a 0.9% Additional Medicare Tax on any Federal Insurance Contributions Act (FICA) wages or Railroad Retirement Act (RRTA) compensation it pays to an employee in excess of $200,000 in a calendar year. An employer is required to begin withholding Additional Medicare Tax in the pay period in which it pays wages or compensation in excess of $200,000 to an employee and continue to withhold it until the end of the calendar year. Additional Medicare Tax is only imposed on the employee. There is no employer share of Additional Medicare Tax. All wages and compensation that are subject to Medicare tax are subject to Additional Medicare Tax withholding if paid in excess of the $200,000 withholding threshold.

Employee social security tax withholding—The rate of social security tax withholding (for employees only) is restored to 6.2% for wage payments made beginning in 2013.

W-2G *- Reprogramming required*

Boxes were added to report *State winnings, Local winnings, Local income tax withheld, and Name of locality.*

Form W-2G changed from a 3 per page format to a 2 per page format for 2013.

1096 *- Reprogramming required*

Line 6 was reformatted to move the check boxes for Forms 1099-K, 1099-LTC, 1099-MISC, and 1099-OID from the second row to the first row.

1099s

Filers of Forms 1098 (except 1098-C), 1099, and 5498 may truncate a recipient's social security number, individual taxpayer identification number, or adoption taxpayer identification number on both electronic and paper payee statements.

1098 *- Reprogramming required*

Mortgage Insurance Premiums—Reporting mortgage insurance premiums in box 4 has been extended through December 31, 2013.

1099-B

Not yet released for 2013.

1099-C

Codes for identifying the type of event or other actual discharge before an identifiable event that led to the issuance of Form 1099-C are required for tax years beginning in 2013.

1099-DIV *- Reprogramming required*

The location for the *Account number* and *2nd TIN not.* boxes moved. Boxes 12 through 14 allow for a second data entry.

Additional State Copies—Copy 1 (For Payer State) and Copy 2 (For Recipient State) were added for 2013.

1099-G *- Reprogramming required*

Boxes 10a, 10b, and 11 allow for a second data entry.

Additional State Copies—Copy 1 (For Payer State) and Copy 2 (For Recipient State) were added for 2013.

1099-INT *- Reprogramming required*

Nonresident aliens—Interest aggregating $10 or more paid to certain nonresident alien individuals is reportable on Form 1042-S.

1099-INT changed from a 3 per page format to a 2 per page format for 2013.

Boxes 11 through 13 allow for a second data entry.

Additional State Copies—Copy 1 (For Payer State) and Copy 2 (For Recipient State) were added for 2013.

1099-K *- Reprogramming required*

Payment subject to backup withholding—Backup withholding applies to payments made after December 31, 2012. A payment made by a third party settlement organization (TPSO) is a reportable payment potentially subject to backup withholding only if the payee has received payment from that TPSO in more than 200 transactions within a calendar year. Payments made in settlement of payment card transactions that are potentially subject to backup withholding have no limiting threshold. Report backup withholding in box 4.

State tax withheld—Boxes 6 through 8 have been added to Form 1099-K to report state income tax withheld.

1099-MISC *- Reprogramming required*

Box 11 is now used to report the foreign tax paid on payments reported on Form 1099-MISC. Box 12 is used to enter the name of the foreign country or U. S. possession for which the foreign tax was paid.

1099-OID *- Reprogramming required*

Box 5 is used to enter any foreign tax paid on OID. Box 6 is used to enter the name of the foreign country or U. S. possession for which the foreign tax was paid.

Form 1099-OID changed from a 3 per page format to a 2 per page format for 2013.

Boxes 10 through 12 allow for a second data entry.

Additional State Copies—Copy 1 (For Payer State) and Copy 2 (For Recipient State) were added for 2013.

1099-R

New distribution code—Use Distribution Code D to identify nonqualified annuity payments and distributions from life insurance contracts that may be subject to tax.

5498

Airline payment amount—Subject to certain limitations, qualified airline employees may contribute the amounts received (money or other property) with respect to the employee's interest in a bankruptcy claim against the airline carrier, to a Roth IRA or traditional IRA.