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W-2 forms due to the Social Security Administration (SSA) by Jan. 31, 2017, and the ability to request only one for-cause filing extension from the IRS, the ...

Mar. 29, 2016

A large, red, rectangular stamp with a distressed, ink-like texture. The word "PENALTY" is written in bold, capital letters within the stamp. The stamp is slightly tilted and has a thick red border.

No doubt, 2016 will be the most challenging year-end season in a long time. With all W-2 forms due to the Social Security Administration (SSA) by Jan. 31, 2017, and the ability to request only one for-cause filing extension from the IRS, the pressure to be 100% accurate will be intense. The newest wild card is a report from the Treasury Inspector General for Tax Administration (TIGTA), which concluded that the IRS is sometimes lax in penalizing employers that file incorrect W-2s. (2015-40-090)

Annual wage reconciliation process. The wages and taxes you report to the SSA on W-2s, and the wages and taxes you report to the IRS on your four quarterly 941 forms,

should match. If they don't, the SSA notifies the IRS of the discrepancies. The IRS is

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\$2 billion in wages on their W-2s and they weren't penalized for it. The IRS, according to TIGTA, gave up as much as \$200 million in penalties. TIGTA made two recommendations:

1. The IRS should develop a process to identify and ensure that penalties are assessed, as required, on those employers that don't reply to its requests for missing W-2s
2. The IRS should correct computer programming errors to ensure that open cases are accurately reflected in its inventory and penalties are assessed when appropriate.

The IRS has agreed with these recommendations and, as a result, it will now come down harder on employers that fail to report the same wages to both agencies.

ONE MORE FLY IN THE OINTMENT: The accelerated, consolidated W-2 and 1099-MISC filing deadlines may impact your state filing deadlines, as well. See our Payroll Legal Alert chart for more info.

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IRS • Taxes

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