

## **House Bill 95**

### **W-2 Wages**

**Effective Date: January 1, 2004 – Ohio Revised Code Sec. 718.03**

This is an important change to the definition of W-2 wages used by the Village of South Lebanon. Pursuant to House Bill 95, the State of Ohio has changed the definition of “qualifying wages” that employers will be required to withhold on and remit to municipalities. Starting January 1, 2004, local taxes will be determined by the wages listed in the Medicare Box of the W-2 Form. Please read the changes listed below if you have any questions, please contact the South Lebanon Tax Dept. at (513) 494-2296.

### **Medicare Wages**

An employer is required to withhold on “qualifying wages”, which are wages as defined in the Internal Revenue Code Section 3121(a), generally the **Medicare Wage Box** of the Form W-2.

- **Medicare Exempt Employee** – are subject to the requirements for “qualifying wages” the Medicare Wage Box of the Form W-2 even though the box will remain blank.
- **Cafeteria Plans** – IRC Section 125 wages are not included in the definition of Medicare wages and **do not need to be deducted from the Medicare Wage Box**.
- **401(k), 457 and Supplemental Unemployment Compensation Benefits** – These items should all be included in the Medicare Wage Box and are subject to withholding requirements.
- **Non-qualified Deferred Compensation Plan** – Income from nonqualified plans are included in the definition of “qualifying wages” at the time the income is deferred and is subject to withholding requirements.
- **Stock Options** – Income from the exercise of stock options is included in the definition of “qualifying wages” and is subject to withholding requirements.
- **Disqualifying Disposition of an Incentive Stock Option** – Employers are not required to withhold, but the income is considered “qualifying wages” and the recipient is liable for the tax.

**Note:** As an employer, if the Medicare Wage Box is not the largest wage figure on the W-2 Form – a written explanation will be required.