

Explanation of Your 2006 Wage and Tax Statement (IRS Form W-2)

(Make sure and check Moving Allowance notes...should go in Box 12 Code P)

Overview

The Internal Revenue Service (IRS) Form W-2 (Wage and Tax Statement), reports to the IRS wages and other compensation the General Services Administration (GSA) National Payroll Center (NPC) paid to you during the tax year 2006. The payroll time period covered for the 2006 tax year began on December 25, 2005 and ended December 23, 2006.

The Form W-2 is a four-part standardized form which is required to be submitted with your 2006 Federal, State and Local tax returns. The five parts of this form and their uses are:

- Copy A is sent directly to Social Security Administration by the GSA NPC – you will not receive this copy
- Copy B is to be filed with your Federal Tax Return
- Copy 2 is to be filed with your State Tax Return, if necessary
- Copy 2 is to be filed with a second state or local entity, if necessary
- Copy C is to be kept for your records

If you are not among the early filers, it is important to keep these forms in a safe place to avoid possible loss or destruction.

This information is merely intended to provide you with helpful information in dealing with your individual tax situations. It is not the final authority by any means. Your final authority in tax matters should always be the IRS, the state and local taxing authorities, your tax consultant, or your financial advisor as appropriate. We prepare these notices using the best information available to us at the time of publication. We believe this information is accurate and correct, but tax laws do change, and we do not want to be your only source of information. You may want to give this notice to your tax preparer in order to answer any questions that may arise regarding information on your IRS Form W-2.

Form W-2 Details

The form is divided into separate data boxes. These boxes are numbered and the following is an explanation of each of those boxes:

Box b - Federal Employer Identification Number (FEIN)

Box c - Employer's name, address and zip code.

Box d - Employee's social security number

Box e and f - Employee's name and address

Box 1 - This is your total wages and other compensation for Federal tax purposes. The following items are included in total wages and other compensation:

- Any fringe benefits earned, such as the use of parking benefits due to the use of a government-provided vehicle,
- Taxable moving allowance or Relocation Income Tax (RIT) payments,
- Student loan repayments made by the employer on behalf of the employee,
- Thrift Savings Plan (TSP) Prior Year refund,
- Awards gross,
- Agency paid life insurance valued over \$50,000 and
- Child care subsidy over \$5,000 is taxable wages and will be included in this box. The total child care subsidy is reflected in Box 10.

The following are items excluded from your total wages and other compensation:

- TSP associate's contribution or other qualified plans (403(b) and 457) reflected in Box 12,
- Federal Employee Health Benefits (FEHB) Premiums (unless you opted out),
- Foreign or non-foreign cost-of-living allowance payments,
- Education allowance payments,
- Living Quarters Allowance payments,
- Repayments of Terminal Leave,
- Flexible Spending Accounts (FSA) for Health Care (HC) or Dependent Care (DC) and
- Transit Benefit – GSA Transit Pass Subsidy and/or Pretax Transportation Fringe Benefits (TEA-21).

All of the above items are totaled in Box 14, with the Transit Benefit and FSA shown as a separate amount from the other items above. When comparing Box 1 to your final Pay and Leave Statement (for pay period ending 12/23/06), these items must be taken into consideration. Please see the discussion of TSP and TEA-21 below.

Box 2 - This is the amount of Federal Income Tax withheld.

Box 3 - This is the amount of your wages subject to Old Age, Survivors and Disability Insurance (OASDI also known as Social Security) which should not exceed \$94,200 for 2006. The following deductions are excluded from your Social Security Wages:

- Federal Employee Health Benefit (FEHB) Premiums (unless you opted out),
- Flexible Spending Account (FSA) for Health Care (HC) or Dependent Care (DC) and,
- Transit Benefits – GSA Transit Pass Subsidy and/or Pretax Transportation Fringe Benefits (TEA-21).

Box 4 - This is the amount of OASDI (Social Security) tax withheld and should not exceed \$5,840.40 for 2006. The OASDI is 6.2% of social security wages. If this amount exceeds more than the maximum amount of \$5,840.40, please advise the National Payroll Center (NPC).

Box 5 - This is the amount of your wages that is subject to Medicare taxes. There was no cap on Medicare wages for 2006. The following deductions are excluded from your Medicare Wages:

- FEHB Premiums (unless you opted out),
- Flexible Spending Account (FSA) for Health Care (HC) or Dependent Care (DC) and,
- Transit Benefit – GSA Transit Pass Subsidy and/or Pretax Transportation Fringe Benefits (TEA-21).

Box 6 - This is the amount of Medicare tax withheld. The Medicare tax rate is 1.45% of Medicare Wages and should not exceed more than 1.45% of your Medicare wages. If this amount exceeds more than 1.45% of your Medicare wages, please advise the National Payroll Center (NPC).

Box 9 - This is the amount of the advance Earned Income Credit (EIC) paid to eligible associates.

Box 10 - This is the total amount for child care subsidy benefits paid by GSA and the Office of Personnel Management (OPM) on behalf of the employee and/or employee contributions to a FSA - Dependent Care (DC).

Box 12(a-e) - An amount in this box reflects any TSP or other qualified plan (403(b) and 457) contributions for the year. This amount is not included in Box 1, since TSP contributions are considered deferred compensation for Federal taxation purposes. This amount should not exceed \$15,000 for 2006. For those associates over 50 years old who are making TSP catch up contributions (\$5,000 limit for 2006), the amount in box 12 should not exceed \$20,000. Additional fringe benefit items may be reflected in box 12, such as cost of Agency-paid life insurance valued over \$50,000 and Non-Taxable Moving Allowances.

Box 13 - An "X" in the Retirement Plan box indicates you are covered by a "qualified" pension plan. The following retirement plans are qualified pension plans: Civil Service Retirement System (CSRS), (Retirement Codes 1, 6, C, E or R), Federal Employees Retirement System (FERS), (Retirement Codes K or M), or other qualified retirement

plans (403(b) or 457). An "X" in the Retirement Plan box may affect your ability to deduct a 2006 Individual Retirement Account (IRA) contribution.

Box 14 - The following items, and their respective amounts, will be shown in this box:

- **FEHB Premium Conversion**— This reflects the amount of FEHB Premiums. This amount is not included in Box 1, 3 and 5 (unless you opted out).
- **Flexible Spending Account** – This reflects the amount of FSA withholdings for FSA-Dependent Care (DC) and/or FSA-Health Care (HC). This amount is not included in box 1, 3 and 5.
- **Transit Benefit** - This reflects the dollar amount of qualified transportation fringe benefit that is provided to associates participating in either the GSA Transit Pass Subsidy or the TEA-21 pretax transportation fringe benefit programs. This amount is not included in Box 1, 3 and 5.
- **TSP Prior Year Refund** – This reflects TSP contributions refunded in 2006 which were excludable from wages in a previous year and added to this year's wages.
- **Other Allowances** - This reflects the amount of Foreign and Non-Foreign Allowance payments, Education Allowance payments, Living Quarters Allowance payments, and repayments of Terminal Leave. This amount is not included in Box 1, 3 and 5.

Box 15-20 - These boxes are used to report State and Local income tax information.

Additional Notes

The TSP contribution limit for calendar year 2006 is \$15,000 and over 50 TSP catch up contribution limit is \$5,000.

TSP contributions are deferred compensation for Federal income tax purposes. The treatment of TSP for State and Local income tax purposes varies by State or Local taxing authority. If you are in doubt, please consult your taxing authority, tax advisor, or financial consultant.

Important Reminder! It is the responsibility of every associate to pay his or her appropriate taxes. GSA reports IRS Form W-2 information for all associates to the IRS, all applicable state and local taxing authorities. Associates are strongly encouraged to follow through with their responsibilities in this area and seek competent tax advice if in doubt.

If you have any questions concerning the contents of your 2006 IRS Form W-2 contact the GSA NPC by e-mail at kc-payroll.finance@gsa.gov, telephone (816) 823-3900, fax (816) 926-2417; or write to:

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National Payroll Center (6BCY)
1500 E. Bannister Road, Room 1118
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