
IMPORTANT QUESTIONS AND ANSWERS ABOUT GUARDIAN'S W-2 REPORTING SERVICE

IS THIRD-PARTY SICK PAY SUBJECT TO:**Federal Income Taxes?**

Yes, but only to the extent that the premiums are paid by the employer or payments are attributable to pre-tax employee contributions. For example: if an employee uses post-tax dollars and contributes 30% toward their Short Term Disability premium, only 70% of their STD benefit is taxable. However, if the employee's premium contribution is made on a pre-tax basis, the entire benefit is taxable.

FICA?

Yes, but only for the first six calendar months following the last month in which the employee worked full-time and to the extent that the premium is paid by the employer (See explanation under "Federal Income Tax"). The IRS requires separate reporting of the Social Security and Medicare portions of FICA. We will make the necessary FICA deposits required on The Guardian's behalf as well as the FICA deposits normally required of you, the employer under **our** Federal Tax ID number.

FUTA?

Yes, subject to the same limitations as FICA taxability. As a third party payer of sick pay Disability Benefits, Guardian transfers responsibility of the FUTA tax to the Employer.

State Unemployment?

Most states deem sick pay to be wages for state unemployment purposes.

What is Guardian's W-2 Reporting/FICA match service?

Guardian's two-part W-2/FICA Matching service is available to Short Term Disability planholders who have elected this option. By making this choice, you, as the planholder, have requested that Guardian prepare, issue, and report to the Internal Revenue Service, the total amounts paid under your Short Term Disability plan. Guardian will also make your FICA matching contributions, for those claims affected by FICA. With this service, we will compile and print the W-2's for your employees and also report this information to the IRS using **our** Federal Tax ID number. In addition, Guardian will provide you with quarterly and year-end reports of payment information by January 15th of each year, for your records.

Who is responsible for making payments of withheld taxes?

Guardian, as withholding agent, deposits FICA and Federal Income Taxes withheld, if any, under **our** Federal Tax ID number. Guardian has also elected to pay and deposit your matching FICA amount.

Who reports payments to the employee?

You have elected to have Guardian prepare W-2's on your employee's behalf. These W-2's will reflect the amount of third party sick pay benefits and the appropriate taxes withheld during a calendar year. The W-2's are prepared using **our** Federal Tax ID number and mailed to the employee's home address by January 31st. This information is also reported to the IRS. In addition to preparing W-2's, Guardian will provide you with quarterly and year-end reports for your records.

Do I have to include this information on my 941 return?

No.

What are the reporting responsibilities when there is a "split" in FICA reporting for third party sick pay?

IRS Form 8922 is required when the responsibility to withhold and report employment taxes on the sick pay is "split" between the employer and the third party/agent or insurer.

What is IRS Form 8922?

IRS Form 8922 is a new form for the calendar year 2014 that is required to be filed when there is a split in the reporting of FICA for third party sick pay. This Form replaces the IRS W-2 & W-3 third party sick pay recaps previously required to be filed with the Social Security Administration for sick pay paid prior to January 1, 2014.

What are Guardian's filing responsibilities in relation to IRS Form 8922?

W2 with FICA Match Service includes issuing sick pay on Form W2 under Guardian's tax ID number. Guardian withholds both the employee's and employer's portion of FICA, remits and reports both under its own FEIN and on its own Form 941. In this case a Form 8922 will not be required as there is no split in the reporting of FICA for third party sick pay.

Please consult with your accountant, attorney or tax advisor with any questions regarding your personal tax situation. Specific questions concerning the FICA and/or FIT amounts withheld from an employee's benefit payment, or concerns regarding the mailing of the Guardian generated tax reports should be directed to the Group Short Term Disability Claim Department at 1-800-268-2525.