

IMPORTANT WITHHOLDING TAX INFORMATION

- All withholding is to be paid on a **monthly** basis. The Tax Commissioner may authorize quarterly payments due on or before the last day of the month following the end of the quarter if the monthly payments average less than \$300.00 per month.
- Each employer or the employer's agent must pay the tax withheld **on or before the fifteenth** day of each month following the reporting period.
- Payments of taxes withheld must be deposited electronically, unless the Tax Commissioner has granted an exemption from this requirement.
- On or before **February 28th** of each year, each employer or the employer's agent must submit the reconciliation Form W-3 for the previous year plus copies of the employees' Form W-2 or an equivalent listing providing the Form W-2 information as well as copies of 1099's.

Reminder:

- The employer or the employer's agent is required to withhold only on "qualifying wages" as defined in Internal Revenue Code Section 3121(a), generally the Medicare wage in box 5 of Form W-2.
 1. Medicare Exempt Employees are subject to the requirements for "qualifying wages" in box 5 of Form W-2 even though that box will remain blank.
 2. Cafeteria Plans (IRC Section 125) are not included in the definition of Medicare wages.
 3. 401(k), 457, and Supplemental Unemployment Compensation Benefits should be included in Box 5 and are subject to withholding requirements.
 4. Nonqualified Deferred Compensation Plan income is included in the definition of "qualifying wages" at the time the income is deferred and is subject to withholding requirements.
 5. Stock Option income is included in the definition of "qualifying wages" and is subject to withholding requirements.
 6. The tax on a disqualifying disposition of Incentive Stock Option income is not required to be withheld, but it is considered "qualifying wages" and the recipient is liable for the tax. The employer may withhold the tax as a courtesy to the employee.