



W-2 Verification Code Pilot

Background

- W&I is proceeding with a pilot to test the capability of a W-2 Verification Code to verify the authenticity of Form W-2 data included with the return for filing season 2016.

Current Status

- ADP, Ceridian, Intuit, and Paychex (payroll service providers) will originate the Verification Code (VC) field on approximately 1.7M individual Forms W-2 from a range of employer and employee demographics.
- The Memorandum of Understanding process is complete, and the keys to generate the VC have been issued.
- The VC values will be calculated by W-2 Processors for each W-2 form based on select data elements on that form.
- The VC will be 16 alphanumeric characters. It will be displayed on the W-2 in four groups of four characters, separated by hyphens.
- The VC will appear on the Employee Copy of a Substitute Form W-2 on copies B and C, in a separate box labeled "Verification Code." (Copy B is "To be filed with employee's federal tax return" and Copy C is "For employee's records.")

Scope

- The code will apply to e-filed 1040 series returns only.
- The code will not be included in Forms W-2 or W-2 data submitted by the payroll processors to the Social Security Administration or any state or local departments of revenue. Nor will this pilot affect state or local income tax returns.



W-2 Verification Code Form W-2 Samples for 2016 Pilot

W-2 Instructions:

Verification Code. If this field is populated, enter this code when it is requested by your tax return preparation software. It is possible your software or preparer will not request the code. The code is not entered on paper-filed returns.

ADP

Free tax prep at irs.gov/freefile		freefile	
Employee Reference Copy			
W-2		2015	
Wage and Tax Statement			
Copy C for employee's records		OMB No. 1545-0008	
d Control number	Dept.	Corp.	Employer use only
216543 ROSE/ABC	100	AABB	A 223
c Employer's name, address, and ZIP code			
ACME SUPPLIES CORPORATION 15 CENTER STREET ANYTOWN, USA 12345			
Batch# 00001			
e/f Employee's name, address and ZIP code			
JANE HARPER 101 MAIN STREET ANYTOWN, USA 12345			
b Employer's FED ID number	a Employer's SSA number		
12-1233338	999-99-9999		
1 Wages, tips, other comp.	2 Federal income tax withheld		
32937.80	2560.00		
3 Social security wages	4 Social security tax withheld		
35037.80	2172.34		
5 Medicare wages and tips	6 Medicare tax withheld		
35037.80	508.05		
7 Social security tips	8 Allocated tips		
9 Verification Code	10 Dependent care benefits		
11 Nonqualified plans	12a See instructions for box 12		
	C 37.80		
14 Other	12b D 2100.00		
31.20 SDI	12c DD 8543.00		
500.00 AUTO	12d		
	13 Stat emp Ret. Plan 3rd party sick pay		
	X		
15 State Employer's state ID no.	16 State wages, tips, etc.		
NY 12-1233338	32937.80		
17 State income tax	18 Local wages, tips, etc		
1163.35	32937.80		
19 Local income tax	20 Locality name		
751.60	NYC RES		

Ceridian

FORM W-2 Wage and Tax Statement				Dept. of the Treasury - Internal Revenue	
Copy C For EMPLOYEE'S RECORDS (See notice on back of copy B)				This information is being furnished to the Internal Revenue Service required to file a tax return, a negligence penalty or other sanction imposed on you if this income is taxable and you fail to report it.	
These substitute W-2 Wages and Tax Statements are acceptable for filing with your Federal, State and Local Income Tax Returns. If you worked in multiple locations, or had several forms of special compensation, you may receive more than one of these documents.					
<p>NOTE: This label will ONLY appear for employees that have the verification code populated in the file. Otherwise it will be the as-is condition (Grayed out Box 9)</p> <p>INSTRUCTIONS WILL GO HERE FOR ONLY EMPLOYEES THAT HAVE THE VERIFICATION CODE POPULATED IN THE FILE</p>					
CONTROL NUMBER	This information is being furnished to the Internal Revenue Service	2014	OMB NO. 1545-0008	1 WAGES, TIPS, OTHER COMPENSATION	2 FEDERAL INCOME TAX WITHHELD
EMPLOYER IDENTIFICATION NUMBER	A. EMPLOYEE'S SOCIAL SECURITY NUMBER		3 SOCIAL SECURITY WAGES	4 SOCIAL SECURITY TAX WITHHELD	
EMPLOYER'S NAME, ADDRESS AND ZIP CODE				5 MEDICARE WAGES AND TIPS	6 MEDICARE TAX WITHHELD
				7 SOCIAL SECURITY TIPS	8 ALLOCATED TIPS
				9 VERIFICATION CODE	10 DEPENDENT CARE BENEFITS
EMPLOYEE'S FIRST NAME AND INITIAL LAST NAME SUFF.				11 NONQUALIFIED PLANS	12 e-d
				14 OTHER	



W-2 Verification Code Form W-2 Samples for 2016 Pilot

W-2 Instructions:

Verification Code. If this field is populated, enter this code when it is requested by your tax return preparation software. It is possible your software or preparer will not request the code. The code is not entered on paper-filed returns.

Paychex

d Control number 0017-09000202 000000016-		Void	c Employer's name, address, and ZIP code SAMPLE CLIENT 1 MAIN STREET BRADY AR 72205			Department of the Treasury - Internal Revenue Service OMB No. 1545-0008	
b Employer's identification number 99-9999999		g Employer's social security number 999-99-9999		1 Wages, tips, other compensation 23088.00		2 Federal income tax withheld 4414.50	
13 Statutory employee		Retirement plan		3 Social security wages 23088.00		4 Social security tax withheld 1431.46	
12 See Instrs. for Box 12		14 Other		5 Medicare wages and tips 23088.00		6 Medicare tax withheld 334.78	
e Employee's name, address, and ZIP code JANE DOE 2 MAIN STREET JEFFERSON CITY MO 65105			7 Social security tips		8 Allocated tips		
			10 Dependent care benefits		11 Nonqualified plans		
			Verification Code 0EB8-9572-6495-089E				
15 State MO	Employer's state I.D. No. 99999999	16 State wages, tips, etc. 17160.00	17 State income tax 836.00	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Intuit

b Employer identification number (EIN) 10-0000050		12a See instructions for box 12		1 Wages, tips, other compensation 10000.00		2 Federal income tax withheld 10000.00	
c Employer's name, address, and ZIP code COMPANY 50 COMPANY 50 ADDRESS 1 COMPANY 50 ADDRESS 2 COMPANY 50 ADDRESS 3 COMPANY 50 CITY NC 10538-2095		12b A \$ 100.00		3 Social security wages 10000.00		4 Social security tax withheld 100.00	
		12c B \$ 100.00		5 Medicare wages and tips 10000.00		6 Medicare tax withheld 100.00	
		12d C \$ 100.00		7 Social security tips 100.00		8 Allocated tips 100.00	
e Employee's first name and initial Last name Suff. FIRSTNAME MIDDLENAME LASTNAME SUFX EMPLOYEE ADDRESS 2 EMPLOYEE ADDRESS 3 EMPLOYEE CITY UT 84321		12e D \$ 100.00		Verification code 9999-9999-9999-9999		10 Dependent care benefits 100.00	
		12f E \$ 100.00		11 Nonqualified plans 100.00		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
f Employee's address and ZIP code		Copy B To Be Filed With Employee's FEDERAL Tax Return.		14 Other BOX 14 TITLE 1 BOX 14 TITLE 2 BOX 14 TITLE 3 BOX 14 TITLE 4		100.00 100.00 100.00 100.00	
g Employee's social security number 555-55-5541		15 State UT NC		16 State wages, tips, etc. 1000.00 1000.00		17 State income tax 100.00 100.00	
		18 Local wages, tips, etc. 100.00 100.00		19 Local income tax 100.00 100.00		20 Locality name LOCAL1ALPHA NAME LOCAL2ALPHA NAME	



W-2 Verification Code Pilot

Filing

- When taxpayers with a Verification Code on their W-2s prepare to electronically file their 1040s, they would be requested to input the associated Verification Code value into their software product.
- Omitted and incorrect W-2 Verification Codes will not delay the processing of a tax return;
- The IRS will analyze this pilot data in a “test-and-learn” review to see if it is useful in evaluating the integrity of W-2 information submitted by taxpayers.

1040 Preparers and Software

- We are working with e-file providers and software developers to collect and transmit the VC by including instructions and prompts for the Verification Code being entered by the taxpayer.
- The large majority of W-2s won't have the code. E-File providers and software developers may want to include some instruction that the taxpayer might not have the code and that the return will be just fine without it.
- The filing season 2016 MeF W-2 Schema was updated to include a new W-2 Verification Code data element, titled “W2HashCd,” to be populated by the software products.
- Some of the participating payroll service providers will include this code in the W-2 data file they provide for import into employees' 1040-preparation software. E-File providers and software developers may want to update their import record layout.
 - The record layout is available at the OFX Tax Working Group website. Go to www.ofx.net, click on “Download Spec,” and see “W-2 Verification Code Participants Only.”



W-2 Verification Code Pilot Success Measures Discussion

Metrics are the objective statistics the team will capture to evaluate Success Measures

- Determine the total volume of potentially fraudulent Forms W-2 associated with e-Filed TY 2015 individual tax returns detected by W-2 VC data validation
- Report the volume of “false positive” Forms W-2 detected as potentially fraudulent by W-2 VC data validation, but ultimately determined to be authentic
- Identify any challenges experienced by participating PSPs
- Evaluate the level of participation in the FS 2016 pilot among e-File providers

Success Measures will both inform success of the pilot and decisions on expansion

- Does the rate of W-2 VC marginal fraud detection exceed a significant percentage of all impacted individual tax returns e-Filed in FS 2016?
- Is the “false positive” rate associated with W-2 VC data validation below the W&I determined error tolerance threshold of a certain percentage?
- Do all participating W-2 Processors express satisfaction with the technical support provided by the IRS in FS 2016?
- Is the IRS able to identify any issues related to key management experienced by W-2 Processors in FS 2016?