

Payments to Election Workers – Federal Employment Tax Treatment

The treatment for Social Security and Medicare tax withholding is determined by the Indiana § 218 Agreement with the Social Security Administration. The Agreement was amended on July 31, 2007 and made retroactive to January 1, 2007 to exclude FICA coverage to workers who are paid less than the threshold amount mandated by law during the calendar year (the threshold is indexed each year and may change) Once an election worker is paid more than threshold amount in a calendar year, they no longer meet this exclusion and **all** wages paid to them in the calendar year are subject to FICA withholding. In 2016 the threshold is \$1,700. Election wages are never subject to federal income tax withholding.

Summary:

- Election wages are excluded from Federal Income tax withholding
- For FICA, once the annual threshold is met, all remuneration is subject to Social Security and Medicare tax, retroactively. (IRC 3121(b)(7)(F)(iv) and 3121(u)(2)(B)(ii)(V) and 210(a)(7)(F)(iv) and 218(c)(8) of the Social Security Act)
- If reporting is required, use Form W-2—not Form 1099-MISC

The following illustrates the treatment of payments to election workers in Indiana:

Election worker – WORKS ELECTION ONLY

Election wages less than \$600 in the calendar year:

No W-2 is required. NOTE: Although Form W-2 is not required to be issued, election wages are taxable. The worker is to include the election wages on their income tax return.

Election wages equal to or greater than \$600 but less than \$1,700 in the calendar year:

W-2 required.

(Box 1 = election wages paid for the year, Boxes 3 and 5 = 0, Box 2, 4, 6 = 0 withheld)

Election wages equal to or greater than \$1,700 in the calendar year:

(Box 1, 3, 5 = all wages paid in the calendar year, Box 2 = 0 Boxes 4 and 6 = Social security and Medicare tax withheld)

Election worker – ALSO WORKS IN ANOTHER CAPACITY FOR THE ENTITY

Regular wages + Election wages total less than \$600 in the calendar year:

W-2 required.

(Box 1, 3, 5 = regular wages only. Election wages are not reported. Box 2, 4, 6 = Income tax, Social security, Medicare tax withheld on regular wages only) NOTE: Although Form W-2 will not include the election wages, the election wages are taxable. The worker is to include the election wages on their income tax return.

Regular wages + Election wages total \$600 or more in the calendar year:

W-2 required.

(Box 1 = Regular wages and election wages. If Election wages are **less** than \$1,700 report in Box 3, 5 only regular wages. Box 2, 4, 6 = Income tax, Social security, Medicare tax withheld on regular wages. If Election wages **were \$1,700 or more**, Box 1, 3, 5 = Regular and election wages. Box 2 = Income tax withheld on regular wages, Box 4, 6 = Social security, Medicare tax withheld on all wages)