

Important 2024 W-2 & 1099 Changes

(As of July 8, 2024)

Information Returns (W-2s, 1098s, 1099s, 5498s, etc.)

Penalties increased—Failure to file and failure to furnish penalties and penalties for intentional disregard of filing and payee statement requirements have increased due to adjustments for inflation. The higher penalty amounts apply to returns required to be filed after December 31, 2024. The new penalty amounts are listed below:

- \$60 per information return if filed correctly within 30 days of the due date; the maximum penalty is \$664,500 per year (\$232,500 for small businesses)
- \$130 per information return if filed correctly more than 30 days after the due date but by August 1; the maximum penalty is \$1,993,500 per year (\$664,500 for small businesses)
- \$330 per information return if filed after August 1, did not file corrections, or did not file required information returns; the maximum penalty is \$3,987,000 per year (\$1,329,000 for small businesses)
- If any failure to timely file a correct information return or provide a correct payee statement is due to intentional disregard of the filing and furnishing requirements, the penalty is at least \$660 per information return with no maximum penalty.

W-2

New box 12, code II, for Medicaid waiver payments excluded from gross income—There is a new code II for box 12 used to report Medicaid waiver payments not included in box 1 of Form W-2.

Military Spouses Residency Relief Act (MSRRA) changes—The Veterans Auto and Education Improvement Act of 2022 enacted on January 5, 2023, changed the residency rules for tax purposes for civilian spouses of servicemembers. Civilian spouses no longer need to have had the same tax residence as the servicemember before relocating in order to keep their prior residence. In addition, for any taxable year of their marriage, servicemembers and their civilian spouses may elect to use the residence of the servicemember, the residence of the spouse, or the permanent duty station of the servicemember, regardless of the date on which the marriage of the spouse and servicemember occurred.

Pension-linked emergency savings accounts—Under SECURE 2.0 Act section 127, employers may add emergency savings accounts to a defined contribution plan to permit employees participating in the plan to make designated Roth contributions that later may be withdrawn subject to certain restrictions. Employers must report these contributions, along with any other designated Roth contributions, on Form W-2, box 12.

Roth SIMPLE and Roth SEP IRAs—Under SECURE 2.0 Act section 601, a simplified employee pension (SEP) arrangement or a savings incentive match plan for employees (SIMPLE) IRA plan may allow an employee to designate a Roth IRA as the IRA to which contributions under the arrangement or plan are made. Salary reduction contributions contributed to Roth SEP and Roth SIMPLE IRAs are subject to federal income tax, social security, and Medicare tax withholding and are included in boxes 1, 3, and 5 (or box 14 for railroad retirement taxes) of Form W-2 and are reported in box 12 using code F (for a SEP) or code S (for a SIMPLE IRA).

De minimis financial incentives—Under SECURE 2.0 section 113, de minimis financial incentives (not paid for with or derived from plan assets) are allowed to be provided to employees who elect to have the employer make contributions under a 401(k) cash or deferred arrangement or elect to have the employer make contributions pursuant to a salary reduction agreement under a 403(b) plan. If an employer provides a de minimis financial incentive to an employee, that incentive is included in the employee's wages and subject to applicable withholding requirements unless an exception applies.

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1042-S

Reporting of distributions of publicly traded partnerships (PTPs)—The requirement to report the PTP's information with respect to its distribution does not apply to a withholding agent paying a PTP distribution to a Qualified Intermediary (QI) when reporting to the QI in reporting pools on Forms 1042-S with respect to the distribution. This exception also applies to a QI reporting a PTP distribution using reporting pools.

1099-R

Designated Roth nonelective contributions and designated Roth matching contributions—The SECURE 2.0 Act of 2022 permits certain nonelective contributions and matching contributions that are made after December 29, 2022, to be designated as Roth contributions.