
TAX SERVICES

Reporting Requirements Related to Third Party Payments Of Sick Pay

DECEMBER 2010

LEGACY
PROFESSIONALS LLP
CERTIFIED PUBLIC ACCOUNTANTS

CHICAGO
(312) 368-0500

MUNSTER, IN
(219) 836-1065

MINNEAPOLIS
(952) 841-3950

www.legacycpas.com

**REPORTING REQUIREMENTS RELATED TO
THIRD PARTY PAYMENTS OF SICK PAY**

The purpose of this release is to facilitate the preparation of reports required for payments of sick pay paid by a third party.

GENERAL OVERVIEW OF SICK PAY

Sick pay is subject to withholding taxes and is treated, for the most part, as a component of “regular” wages paid throughout the year. Sick payments are subject to Social Security and Medicare tax, Federal unemployment tax, and withholding of Federal income tax. Sick pay is also included as wages for purposes of some states’ unemployment tax computations.

An employer who makes sick payments directly to its employees will treat such payments as regular wages. The employer will withhold and remit the proper taxes, and report the proper amounts on the employee’s Form W-2. These rules become more complex when the payor of sick pay is a third party (for example, a Health and Welfare Fund).

FEDERAL INCOME TAX WITHHOLDING

Sick pay recipients may have Federal income tax withheld from payments received. If there is a provision in a collective bargaining agreement specifying the amount of Federal income tax to be withheld from sick pay, those provisions should be followed. If no such provision applies, the recipient may file Form W-4S (See EXHIBIT 1). Such withholding may not fall below certain minimum amounts explained under “Amount to be Withheld” in EXHIBIT 1.

SOCIAL SECURITY AND MEDICARE TAX – WITHHELD PORTION

Social Security and Medicare tax must be withheld for payments made within six calendar months following the month in which the payee last worked. It is possible that the reporting period might cover two calendar years. For example, if an employee last worked in November 2010, you will have to begin withholding FICA tax in December 2010. A W-2 will be issued for 2010. Additional sick payments made in 2011 will be subject to FICA withholding until the employee has been paid a total of six months of sick-pay benefits. After six months, withholding on subsequent payments is no longer applicable. A W-2 for 2011 will also be issued. The withholding rate for 2010 is 6.2% for the Social Security portion on a maximum wage base of \$106,800 and 1.45% for the Medicare portion with no maximum wage base. For 2011, the Social Security rate is 4.2% on a maximum wage base of \$106,800 and 1.45% for the Medicare portion. Once compensation (including sick pay) exceeds the applicable wage base, no further tax needs to be withheld.

SOCIAL SECURITY AND MEDICARE TAX – “EMPLOYER’S SHARE”

As with regular wages, the employer must match the amount of Social Security and Medicare tax withheld from sick pay and remit the so-called “employer’s share” of Social Security and Medicare tax to the Internal Revenue Service, along with the withheld amount. The employer's Social Security rate in 2011 remains at 6.2%, unlike the employee's rate which was decreased to 4.2%.

Generally, a health and welfare fund is responsible for paying the employer's share of Social Security and Medicare tax unless the fund:

- 1) withholds the employee's share of tax;
- 2) deposits the amount withheld on a timely basis; and
- 3) notifies the employer as to the amount of sick pay and the amount of Social Security and Medicare tax withheld and deposited. This notice must be provided within the time required for the deposit of the employee's share of the taxes.

If the fund complies with the above, the employer will be responsible for matching the Social Security and Medicare tax. Remember that the notification to the employer must be done on a timely basis.

FEDERAL UNEMPLOYMENT TAX

Sick pay payments made within six months following the calendar month in which the recipient last worked will be subject to Federal Unemployment Tax. If the fund is liable for the employer's share of FICA taxes it must report and make quarterly FUTA tax deposits, if required, on the payments. The fund must report amounts paid and taxes deposited annually on Form 940.

A special rule applies to sick pay payments made to employees by a third-party insurer under an insurance contract with a multiemployer plan established under a collectively bargained agreement. If the third-party insurer making the payments gives the plan (instead of the employer) the required timely notice, then the plan must pay the employer's part of the Social Security and Medicare taxes and the FUTA taxes. Similarly, if within six (6) business days of the plan's receipt of the notification, the plan gives notice to the employer for whom the employee normally works, the employer (not the plan) must pay the employer's share of the Social Security and Medicare taxes and the FUTA taxes.

FORM 941 REPORTING REQUIREMENTS

When a health and welfare fund remits both the employer and employee share of the Social Security and Medicare tax, there is no special treatment required on Form 941. The sick pay is treated as a component of compensation. EXHIBIT 2 is an example Form 941 for a fund (third party) that pays both parts of the Social Security and Medicare tax.

When the employer's share of the Social Security and Medicare tax is not to be paid by the fund, Form 941 should be filed as shown on EXHIBIT 3. Line 7b of Form 941 is used to adjust the employer's share of the FICA tax.

EXHIBIT 4 illustrates the employer's Form 941 when the payment of the "employer's share" of Social Security and Medicare tax is passed on from the welfare fund. The amount on Line 7b of EXHIBIT 4 represents the FICA tax withheld from sick pay by the welfare fund. The net of line 5d minus 7b of EXHIBIT 4 represents the "employer's share" of FICA tax passed on to the employer from the welfare fund.

ANNUAL REPORTING REQUIREMENTS

If the fund (third party) elects to pay the “employer’s share” of the Social Security and Medicare tax, it must give each sick pay recipient a Form W-2 by January 31, 2011. Also, the fund must submit Copy A of Form W-2 along with Form W-3 to the Social Security Administration by February 28, 2011. These forms are prepared as if the fund was the employer.

If the fund passes on the employer’s share of Social Security and Medicare tax to the employer, in addition to the timely interim notices previously discussed, it must give that employer certain information by January 15, 2011 (See EXHIBIT 5 for a sample transmittal). For each employee who received sick pay during the preceding year, the fund must provide:

- a) the employee’s name;
- b) the Social Security number of each employee who had any income or Social Security and Medicare taxes withheld;
- c) the amount of sick pay for each employee;
- d) the amount of income tax withheld, if any, and the amount of Social Security and Medicare taxes withheld.

The employer must then either include these amounts on the recipient’s Form W-2 or issue a separate Form W-2 for these payments and mark the third party sick pay checkbox in Box 13. If there is any income tax withheld on the payments, the employer should show that amount on Lines 2 and 14 of Form W-3 and mark the third party sick pay checkbox in Box b of the W-3. Otherwise, the employer’s annual reporting is prepared in the usual fashion (See EXHIBIT 6).

The fund (third party payor) must also file Form W-3 along with a “Recap” W-2. The W-2 should show the following (See EXHIBIT 7):

- total income tax withheld on all sick pay (Box 2);
- total sick pay paid to all recipients during the year (Box 1);
- the total amount of Social Security and Medicare tax withheld from all recipients (Boxes 4 and 6, respectively);
- the words “Third-Party Sick Pay Recap” (Box e);
- the third party sick pay checkbox (Box 13) must be marked; and
- the total of all sick pay subject to Social Security and Medicare tax (Boxes 3 and 5, respectively)

The third party payor attaches the third-party sick pay recap Form W-2 to a separate recap Form W-3, on which only boxes b, c, e, f, g, 1,2,3,4,5,6 and 13 are completed. Enter “Third-Party Sick Pay Recap” in box 13. Box 14 is used by the employer to reflect the withholding remitted by the third party payor (Health & Welfare Fund).

All W-3 and W-2 Forms must be filed with the Social Security Administration, Data Operations Center, Wilkes-Barre, PA 18769-0001. If you file by "Certified Mail", change the zip code to 18769-0002. If you do not use the U.S. Postal Service to deliver your forms, use the following address:

Social Security Administration
Data Operations Center
Attn: W-2 Process
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

AMOUNT TO BE WITHHELD

EXHIBIT 1

Form **W-4S** Request for Federal Income Tax Withholding From Sick Pay

Department of the Treasury Internal Revenue Service

OMB No. 1545-0074

2011

▶ Give this form to the third-party payer of your sick pay.

Type or print your first name and middle initial. Last name Your social security number

Home address (number and street or rural route)

City or town, state, and ZIP code

Claim or identification number (if any)

I request federal income tax withholding from my sick pay payments. I want the following amount to be withheld from each payment. (See **Worksheet** below.) \$

Employee's signature ▶ Date ▶

Cut here and give the top part of this form to the payer. Keep the lower part for your records.

Worksheet (Keep for your records. Do not send to the Internal Revenue Service.)

1	Enter amount of adjusted gross income that you expect in 2011	1		
2	If you plan to itemize deductions on Schedule A (Form 1040), enter the estimated total of your deductions. If you do not plan to itemize deductions, enter the standard deduction, including additional amounts for age and blindness	2		
3	Subtract line 2 from line 1	3		
4	Exemptions. Multiply \$3,700 by the number of personal exemptions	4		
5	Subtract line 4 from line 3	5		
6	Tax. Figure your tax on line 5 by using the 2011 Tax Rate Schedule X, Y, or Z on page 2. Do not use the Tax Table or Tax Rate Schedule X, Y, or Z in the 2010 Form 1040, 1040A, or 1040EZ instructions	6		
7	Credits (child tax and higher education credits, credit for child and dependent care expenses, etc.)	7		
8	Subtract line 7 from line 6	8		
9	Estimated federal income tax withheld or to be withheld from other sources (including amounts withheld due to a prior Form W-4S) during 2011 or paid or to be paid with 2011 estimated tax payments	9		
10	Subtract line 9 from line 8	10		
11	Enter the number of sick pay payments you expect to receive this year to which this Form W-4S will apply	11		
12	Divide line 10 by line 11. Round to the nearest dollar. This is the amount that should be withheld from each sick pay payment. Be sure it meets the requirements for the amount that should be withheld, as explained under <i>Amount to be withheld</i> below. If it does, enter this amount on Form W-4S above	12		

General Instructions

Purpose of form. Give this form to the third-party payer of your sick pay, such as an insurance company, if you want federal income tax withheld from the payments. You are not required to have federal income tax withheld from sick pay paid by a third party. However, if you choose to request such withholding, Internal Revenue Code sections 3402(o) and 6109 and their regulations require you to provide the information requested on this form. Do not use this form if your employer (or its agent) makes the payments because employers are already required to withhold federal income tax from sick pay.

Note. If you receive sick pay under a collective bargaining agreement, see your union representative or employer.

Definition. Sick pay is a payment that you receive:

- Under a plan to which your employer is a party and
- In place of wages for any period when you are temporarily absent from work because of your sickness or injury.

Amount to be withheld. Enter on this form the amount that you want withheld from each payment. The amount that you enter:

- Must be in whole dollars (for example, \$35, not \$34.50).
- Must be at least \$4 per day, \$20 per week, or \$88 per month based on your payroll period.
- Must not reduce the net amount of each sick pay payment that you receive to less than \$10.

For payments larger or smaller than a regular full payment of sick pay, the amount withheld will be in the same proportion as your regular withholding from sick pay. For example, if your regular full payment of \$100 a week normally has \$25 (25%) withheld, then \$20 (25%) will be withheld from a partial payment of \$80.

Caution. You may be subject to a penalty if your tax payments during the year are not at least 90% of the tax shown on your tax return. For exceptions and details, see Pub. 505, Tax Withholding and Estimated Tax. You may pay tax during the year through withholding or estimated tax payments or both. To avoid a penalty, make sure that you have enough tax withheld or make estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. You may estimate your federal income tax liability by using the worksheet above.

(continued on back)

AMOUNT TO BE WITHHELD

EXHIBIT 1 CONTINUED

Form W-4S (2011)

Page 2

Sign this form. Form W-4S is not valid unless you sign it.

Statement of income tax withheld. After the end of the year, you will receive a Form W-2, Wage and Tax Statement, reporting the taxable sick pay paid and federal income tax withheld during the year. These amounts are reported to the Internal Revenue Service.

Changing your withholding. Form W-4S remains in effect until you change or revoke it. You may do this by giving a new Form W-4S or a written notice to the payer of your sick pay. To revoke your previous Form W-4S, complete a new Form W-4S and write "Revoked" in the money amount box, sign it, and give it to the payer.

Specific Instructions for Worksheet

You may use the worksheet on page 1 to estimate the amount of federal income tax that you want withheld from each sick pay payment. Use your tax return for last year and the worksheet as a basis for estimating your tax, tax credits, and withholding for this year.

You may not want to use Form W-4S if you already have your total tax covered by estimated tax payments or other withholding.

If you expect to file a joint return, be sure to include the income, deductions, credits, and payments of both yourself and your spouse in figuring the amount you want withheld.

Caution. If any of the amounts on the worksheet change after you give Form W-4S to the payer, you should use a new Form W-4S to request a change in the amount withheld.

Line 2—Deductions

Standard deduction. For 2011, the standard deduction amounts are:

Filing Status	Standard Deduction
Married filing jointly or qualifying widow(er)	\$11,600*
Head of household	\$8,500*
Single or Married filing separately	\$5,800*

*If you are age 65 or older or blind, add to the standard deduction amount the additional amount that applies to you as shown in the

next paragraph. If you can be claimed as a dependent on another person's return, see *Limited standard deduction for dependents* below.

Additional amount for the elderly or blind. An additional standard deduction of \$1,150 is allowed for a married individual (filing jointly or separately) or qualifying widow(er) who is 65 or older or blind, \$2,300 if 65 or older and blind. If both spouses are 65 or older or blind, an additional \$2,300 is allowed on a joint return (\$2,300 on a separate return if you can claim an exemption for your spouse). If both spouses are 65 or older and blind, an additional \$4,600 is allowed on a joint return (\$4,600 on a separate return if you can claim an exemption for your spouse). An additional \$1,450 is allowed for an unmarried individual (single or head of household) who is 65 or older or blind, \$2,900 if 65 or older and blind.

Limited standard deduction for dependents. If you can be claimed as a dependent on another person's return, your standard deduction is the greater of (a) \$950 or (b) your earned income plus \$300 (up to the regular standard deduction for your filing status). If you are 65 or older or blind, see Pub. 505 for additional amounts that you may claim.

Certain individuals not eligible for standard deduction. For the following individuals, the standard deduction is zero.

- A married individual filing a separate return if either spouse itemizes deductions.
- A nonresident alien individual.
- An individual filing a return for a period of less than 12 months because of a change in his or her annual accounting period.

Line 7—Credits

Include on this line any tax credits that you are entitled to claim, such as the child tax and higher education credits, credit for child and dependent care expenses, earned income credit, or credit for the elderly or the disabled.

Line 9—Tax Withholding and Estimated Tax

Enter the federal income tax that you expect will be withheld this year on income other than sick pay and any payments made or to be made with 2011 estimated tax payments. Include any federal income tax already withheld or to be withheld from wages and pensions.

2011 Tax Rate Schedules

Schedule X—Single				Schedule Z—Head of household			
If line 5 is:	But not over—	The tax is:	of the amount over—	If line 5 is:	But not over—	The tax is:	of the amount over—
Over—				Over—			
\$0	\$8,500	\$0 + 10%	\$0	\$0	\$12,150	\$0 + 10%	\$0
8,500	34,500	\$850 + 15%	8,500	12,150	46,250	\$1,215 + 15%	12,150
34,500	83,600	4,750 + 25%	34,500	46,250	119,400	6,330 + 25%	46,250
83,600	174,400	17,025 + 28%	83,600	119,400	193,350	24,617.50 + 28%	119,400
174,400	379,150	42,449 + 33%	174,400	193,350	379,150	45,323.50 + 33%	193,350
379,150	and greater	110,016.50 + 35%	379,150	379,150	and greater	106,637.50 + 35%	379,150
Schedule Y-1—Married filing jointly or Qualifying widow(er)				Schedule Y-2—Married filing separately			
If line 5 is:	But not over—	The tax is:	of the amount over—	If line 5 is:	But not over—	The tax is:	of the amount over—
Over—				Over—			
\$0	\$17,000	\$0 + 10%	\$0	\$0	\$8,500	\$0 + 10%	\$0
17,000	69,000	\$1,700 + 15%	17,000	8,500	34,500	\$850 + 15%	8,500
69,000	139,350	9,500 + 25%	69,000	34,500	69,675	4,750 + 25%	34,500
139,350	212,300	27,087.50 + 28%	139,350	69,675	106,150	13,543.75 + 28%	69,675
212,300	379,150	47,513.50 + 33%	212,300	106,150	189,575	23,756.75 + 33%	106,150
379,150	and greater	102,574 + 35%	379,150	189,575	and greater	51,287 + 35%	189,575

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax

returns and return information are confidential, as required by Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

THIRD PARTY PAYS BOTH PARTS OF FICA TAX

EXHIBIT 2

Form 941 for 2010: Employer's QUARTERLY Federal Tax Return

951110

(Rev. October 2010)

Department of the Treasury - Internal Revenue Service

OMB No. 1545-0029

Form fields for EIN (36-1231231), Name (ABC WELFARE FUND), Trade name, Address (2 NORTH FIRST AVENUE, CHICAGO, IL, 60601)

Report for this Quarter of 2010 (Check one.)
1: January, February, March
2: April, May, June
3: July, August, September
4: October, November, December

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

Main form body with lines 1-15 for tax calculations, including employee counts, wages, taxes, and adjustments.

You MUST complete both pages of Form 941 and SIGN it. Next button

THIRD PARTY DOES NOT PAY EMPLOYER'S SHARE OF FICA TAX

EXHIBIT 3

Form 941 for 2010: Employer's QUARTERLY Federal Tax Return

951110

(Rev. October 2010) Department of the Treasury - Internal Revenue Service

OMB No. 1545-0029

Form 941 header section containing EIN (36-3453453), Name (XYZ WELFARE FUND), Trade name, Address (2 SOUTH SECOND AVENUE, CHICAGO, IL 60602).

Report for this Quarter of 2010 (Check one.)
1: January, February, March
2: April, May, June
3: July, August, September
4: October, November, December (checked)

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

Main body of Form 941 with 15 numbered lines for tax calculations, including employee counts, wages, taxes, and adjustments.

You MUST complete both pages of Form 941 and SIGN it. Next button

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. Cat. No. 17001Z Form 941 (Rev. 10-2010)

THIRD PARTY DOES NOT PAY EMPLOYER'S SHARE OF FICA TAX
EXHIBIT 3 CONTINUED

950210

Name (not your trade name) XYZ WELFARE FUND	Employer identification number (EIN) 36-3453453
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Part 2: Tell us about your deposit schedule and tax liability for this quarter.

If you are unsure about whether you are a monthly schedule depositor or a semiweekly schedule depositor, see Pub. 15 (Circular E), section 11.

16 I L Write the state abbreviation for the state where you made your deposits OR write "MU" if you made your deposits in multiple states.

17 Check one: Line 10 on this return is less than \$2,500 or line 10 on the return for the preceding quarter was less than \$2,500, and you did not incur a \$100,000 next-day deposit obligation during the current quarter. Go to Part 3.

You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter.

Tax liability: Month 1

Month 2

Month 3

Total liability for quarter Total must equal line 10.

You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941): Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941.

Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.

18 If your business has closed or you stopped paying wages Check here, and enter the final date you paid wages .

19 If you are a seasonal employer and you do not have to file a return for every quarter of the year . . . Check here.

Part 4: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

Yes. Designee's name and phone number

Select a 5-digit Personal Identification Number (PIN) to use when talking to the IRS.

No.

Part 5: Sign here. You MUST complete both pages of Form 941 and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.



Sign your name here

Print your name here

Print your title here

Date

Best daytime phone

Paid preparer use only

Check if you are self-employed . . .

Preparer's name

PTIN

Preparer's signature

Date

Firm's name (or yours if self-employed)

EIN

Address

Phone

City State

ZIP code

EMPLOYER PAYS EMPLOYER'S SHARE OF FICA TAX

EXHIBIT 4

Form 941 for 2010: Employer's QUARTERLY Federal Tax Return (Rev. October 2010) Department of the Treasury - Internal Revenue Service

951110 OMB No. 1545-0029

(EIN) 3 6 - 5 6 7 5 6 7 5
Employer Identification number
Name (not your trade name) ACE CONSTRUCTION CO.
Trade name (if any)
Address 3 WEST THIRD AVENUE
CHICAGO IL 60603

Report for this Quarter of 2010 (Check one.)
1: January, February, March
2: April, May, June
3: July, August, September
4: October, November, December

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including: Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), or Dec. 12 (Quarter 4) 1 2
2 Wages, tips, and other compensation 2 10000.00
3 Income tax withheld from wages, tips, and other compensation 3
4 If no wages, tips, and other compensation are subject to social security or Medicare tax
5a Taxable social security wages* 10000.00 x .124 = 1240.00
5b Taxable social security tips* x .124 =
5c Taxable Medicare wages & tips* 10000.00 x .029 = 290.00
5d Add Column 2 line 5a, Column 2 line 5b, and Column 2 line 5c 5d 1530.00
6a Number of qualified employees first paid exempt wages/tips this quarter
6b Number of qualified employees paid exempt wages/tips this quarter
6c Exempt wages/tips paid to qualified employees this quarter x .062 = 6d
6e Total taxes before adjustments (line 3 + line 5d - line 6d = line 6e) 6e 1530.00
7a Current quarter's adjustment for fractions of cents 7a
7b Current quarter's adjustment for sick pay 7b (765.00)
7c Current quarter's adjustments for tips and group-term life insurance 7c
8 Total taxes after adjustments. Combine lines 6e through 7c 8 765.00
9 Advance earned income credit (EIC) payments made to employees 9
10 Total taxes after adjustment for advance EIC (line 8 - line 9 = line 10) 10 765.00
11 Total deposits, including prior quarter overpayments 11 765.00
12a COBRA premium assistance payments (see instructions) 12a
12b Number of individuals provided COBRA premium assistance
12c Number of qualified employees paid exempt wages/tips March 19-31
12d Exempt wages/tips paid to qualified employees March 19-31 x .062 = 12e
13 Add lines 11, 12a, and 12e 13 765.00
14 Balance due. If line 10 is more than line 13, enter the difference and see instructions 14 00.00
15 Overpayment. If line 13 is more than line 10, enter the difference Check one: Apply to next return. Send a refund.

EMPLOYER PAYS EMPLOYER'S SHARE OF FICA TAX

EXHIBIT 4 CONTINUED

950210

Name (not your trade name)

ACE CONSTRUCTION CO.

Employer identification number (EIN)

36-5675675

Part 2: Tell us about your deposit schedule and tax liability for this quarter.

If you are unsure about whether you are a monthly schedule depositor or a semiweekly schedule depositor, see Pub. 15 (Circular E), section 11.

16 [I] [L] Write the state abbreviation for the state where you made your deposits OR write "MU" if you made your deposits in multiple states.

17 Check one: [] Line 10 on this return is less than \$2,500 or line 10 on the return for the preceding quarter was less than \$2,500, and you did not incur a \$100,000 next-day deposit obligation during the current quarter. Go to Part 3.

[x] You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter.

Tax liability: Month 1 [255 . 00]

Month 2 [255 . 00]

Month 3 [255 . 00]

Total liability for quarter [765 . 00] Total must equal line 10.

[] You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941): Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941.

Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.

18 If your business has closed or you stopped paying wages [] Check here, and enter the final date you paid wages [/ /] .

19 If you are a seasonal employer and you do not have to file a return for every quarter of the year . . . [] Check here.

Part 4: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

[] Yes. Designee's name and phone number [] []

Select a 5-digit Personal Identification Number (PIN) to use when talking to the IRS. [] [] [] [] []

[] No.

Part 5: Sign here. You MUST complete both pages of Form 941 and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.



Sign your name here

[Signature box]

Print your name here []

Print your title here []

Date [/ /]

Best daytime phone []

Paid preparer use only

Check if you are self-employed . . . []

Preparer's name []

PTIN []

Preparer's signature []

Date [/ /]

Firm's name (or yours if self-employed) []

EIN []

Address []

Phone []

City [] State []

ZIP code []

EXHIBIT 5 - ANNUAL LETTER TO EMPLOYER LISTING SICK BENEFITS PAID

**XYZ HEALTH AND WELFARE FUND
1 NORTH SECOND AVENUE
CHICAGO, ILLINOIS 60602**

January 10, 2011

ACE Construction Co.
3 West Third Avenue
Chicago, IL 60603

Gentlemen:

During the past year, we have paid disability payments and withheld the indicated taxes on some of your employees as detailed on the attached listing. We are required to give you this information so that you can include these amounts on the employee's Form W-2. You should refer to the Form W-2 and W-3 instructions to determine the proper reporting requirement for these amounts.

Your tax advisor should be consulted for any questions you may have concerning this matter.

Sincerely,

John Doe
Board of Trustees
XYZ Health and Welfare Fund

Enclosure

EXHIBIT 5 (cont.) - ANNUAL LETTER TO EMPLOYER LISTING SICK BENEFITS PAID
(Page 2 of 2)

STATEMENT OF DISABILITY

PAYMENTS MADE TO EMPLOYEES OF

ACE Construction Co.

YEAR ENDED DECEMBER 31, 2011

EMPLOYEE NAME	SOCIAL SECURITY NUMBER	TOTAL SICK PAY	FEDERAL INCOME TAX WITHHELD	SOCIAL SECURITY TAX WITHHELD	MEDICARE TAX WITHHELD
James Clark	721-98-7654	\$ 4,000.00	\$ 250.00	\$ 168.00	\$ 58.00
Joseph Smith	321-45-7890	10,500.00	2,000.00	441.00	152.25
Kathy Jackson	351-47-6541	<u>7,800.00</u>	<u>700.00</u>	<u>327.60</u>	<u>113.10</u>
	Total	<u>\$22,300.00</u>	<u>\$ 2,950.00</u>	<u>\$936.60</u>	<u>\$ 323.35</u>

EMPLOYER REPORTING REQUIREMENTS

EXHIBIT 6

DO NOT STAPLE

33333		a Control number		For Official Use Only ▶ OMB No. 1545-0008			
b Kind of Payer ▶	941 <input checked="" type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>	944 <input type="checkbox"/>	1 Wages, tips, other compensation	2 Federal income tax withheld	
	CT-1 <input type="checkbox"/>	Hshld. emp. <input type="checkbox"/>	Medicare govt. emp. <input type="checkbox"/>	Third-party sick pay <input checked="" type="checkbox"/>	40000.00	8000.00	
c Total number of Forms W-2 2				d Establishment number		3 Social security wages	4 Social security tax withheld
						40000.00	2480.00
e Employer identification number (EIN) 36-5675675				5 Medicare wages and tips		6 Medicare tax withheld	
				40000.00		580.00	
f Employer's name ACE Construction Co.				7 Social security tips		8 Allocated tips	
3 West Third Avenue				9 Advance EIC payments		10 Dependent care benefits	
Chicago, IL 60603				11 Nonqualified plans		12a Deferred compensation	
g Employer's address and ZIP code				13 For third-party sick pay use only		12b HIRE exempt wages and tips	
h Other EIN used this year				14 Income tax withheld by payer of third-party sick pay		1000.00	
15 State Employer's state ID number				16 State wages, tips, etc.		17 State income tax	
				18 Local wages, tips, etc.		19 Local income tax	
Contact person John Doe, Comptroller				Telephone number (312) 222-3159		For Official Use Only	
Email address				Fax number ()			

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶ Title ▶ Date ▶

Form **W-3 Transmittal of Wage and Tax Statements** **2010** Department of the Treasury Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Reminder

Separate instructions. See the 2010 Instructions for Forms W-2 and W-3 for information on completing this form.

Purpose of Form

A Form W-3 Transmittal is completed only when paper Copy A of Form(s) W-2, Wage and Tax Statement, are being filed. Do not file Form W-3 alone. Do not file Form W-3 for Form(s) W-2 that were submitted electronically to the Social Security Administration (see below). All paper forms **must** comply with IRS standards and be machine readable. Photocopies are **not** acceptable. Use a Form W-3 even if only one paper Form W-2 is being filed. Make sure both the Form W-3 and Form(s) W-2 show the correct tax year and Employer Identification Number (EIN). Make a copy of this form and keep it with Copy D (For Employer) of Form(s) W-2 for your records.

Electronic Filing

The Social Security Administration (SSA) strongly suggests employers report Form W-3 and W-2 Copy A electronically instead of on paper. SSA provides two free options on its Business Services Online (BSO) website:

- **W-2 Online.** Use fill-in forms to create, save, print, and submit up to 20 Forms W-2 to SSA.

- **File Upload.** Upload wage files to SSA that you have created using payroll or tax software that formats the files according to SSA's *Specifications for Filing Form W-2 Electronically (EFW2)*.

For more information, go to www.socialsecurity.gov/employer and select "First Time Filers" or "Returning Filers" under "BEFORE YOU FILE."

When To File

Mail any paper Forms W-2 under cover of this Form W-3 Transmittal by February 28, 2011. Electronic fill-in forms or uploads are filed through SSA's Business Services Online (BSO) Internet site and will be on time if submitted by March 31, 2011.

Where To File Paper Forms

Send this entire page with the entire Copy A page of Form(s) W-2 to:

**Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001**

Note. If you use "Certified Mail" to file, change the ZIP code to "18769-0002." If you use an IRS-approved private delivery service, add "ATTN: W-2 Process, 1150 E. Mountain Dr." to the address and change the ZIP code to "18702-7997." See Publication 15 (Circular E), Employer's Tax Guide, for a list of IRS-approved private delivery services.

For Privacy Act and Paperwork Reduction Act Notice, see the back of Copy D of Form W-2.

Cat. No. 10159Y

EMPLOYER REPORTING REQUIREMENTS - SEPARATE W-2s

EXHIBIT 6 CONTINUED

22222		a Employee's social security number 777-88-9999		OMB No. 1545-0008		REGULAR WAGES									
b Employer identification number (EIN) 36-5675675				1 Wages, tips, other compensation 30000.00		2 Federal income tax withheld 7000.00									
c Employer's name, address, and ZIP code ACE Construction Co. 3 West Third Avenue Chicago, IL 60603				3 Social security wages 30000.00		4 Social security tax withheld 1860.00									
				5 Medicare wages and tips 30000.00		6 Medicare tax withheld 435.00									
				7 Social security tips		8 Allocated tips									
d Control number				9 Advance EIC payment		10 Dependent care benefits									
e Employee's first name and initial Thomas		Last name Smith		Suff.		11 Nonqualified plans		12a							
4 East Fourth Avenue Chicago, IL 60604				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b		12c							
				14 Other		12d									
f Employee's address and ZIP code				15 State Employer's state ID number IL		16 State wages, tips, etc. 30000.00		17 State income tax 900.00		18 Local wages, tips, etc.		19 Local income tax		20 Locality name	

Form **W-2** Wage and Tax Statement

2010

Department of the Treasury—Internal Revenue Service

Copy 1—For State, City, or Local Tax Department

22222		a Employee's social security number 777-88-9999		OMB No. 1545-0008		SICK PAY									
b Employer identification number (EIN) 36-5675675				1 Wages, tips, other compensation 10000.00		2 Federal income tax withheld 1000.00									
c Employer's name, address, and ZIP code ACE Construction Co. 3 West Third Avenue Chicago, IL 60603				3 Social security wages 10000.00		4 Social security tax withheld 620.00									
				5 Medicare wages and tips 10000.00		6 Medicare tax withheld 145.00									
				7 Social security tips		8 Allocated tips									
d Control number				9 Advance EIC payment		10 Dependent care benefits									
e Employee's first name and initial Thomas		Last name Smith		Suff.		11 Nonqualified plans		12a							
4 East Fourth Avenue Chicago, IL 60604				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input checked="" type="checkbox"/>		12b		12c							
				14 Other THIRD PARTY SICK PAY		12d									
f Employee's address and ZIP code				15 State Employer's state ID number IL		16 State wages, tips, etc. 10000.00		17 State income tax		18 Local wages, tips, etc.		19 Local income tax		20 Locality name	

Form **W-2** Wage and Tax Statement

2010

Department of the Treasury—Internal Revenue Service

Copy 1—For State, City, or Local Tax Department

THIRD PARTY REPORTING REQUIREMENTS

EXHIBIT 7

DO NOT STAPLE

33333		a Control number			For Official Use Only ▶ OMB No. 1545-0008			
b Kind of Payer	941 <input checked="" type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>	944 <input type="checkbox"/>	1 Wages, tips, other compensation	2 Federal income tax withheld		
	CT-1 <input type="checkbox"/>	Hshld. emp. <input type="checkbox"/>	Medicare govt. emp. <input type="checkbox"/>	Third-party sick pay <input checked="" type="checkbox"/>	3 Social security wages	4 Social security tax withheld		
c Total number of Forms W-2		d Establishment number			5 Medicare wages and tips	6 Medicare tax withheld		
1					10000.00	145.00		
e Employer identification number (EIN)					7 Social security tips		8 Allocated tips	
36-3453453								
f Employer's name					9 Advance EIC payments		10 Dependent care benefits	
XYZ Welfare Fund					11 Nonqualified plans		12a Deferred compensation	
1 South Second Avenue Chicago, IL 60602					13 For third-party sick pay use only		12b HIRE exempt wages and tips	
					Third Party Sick Pay Recap			
g Employer's address and ZIP code					14 Income tax withheld by payer of third-party sick pay			
h Other EIN used this year								
15 State	Employer's state ID number				16 State wages, tips, etc.		17 State income tax	
					18 Local wages, tips, etc.		19 Local income tax	
Contact person					Telephone number		For Official Use Only	
Email address					Fax number			

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶ Title ▶ Date ▶

Form **W-3 Transmittal of Wage and Tax Statements** 2010 Department of the Treasury Internal Revenue Service

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Reminder

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Purpose of Form

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**Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001**

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THIRD PARTY REPORTING REQUIREMENTS

EXHIBIT 7 CONTINUED

22222		a Employee's social security number		OMB No. 1545-0008		
b Employer identification number (EIN) 36-3453453		1 Wages, tips, other compensation 10000.00		2 Federal income tax withheld 1000.00		
c Employer's name, address, and ZIP code XYZ Welfare Fund 1 South Second Avenue Chicago, IL 60602		3 Social security wages 10000.00		4 Social security tax withheld 620.00		
		5 Medicare wages and tips 10000.00		6 Medicare tax withheld 145.00		
		7 Social security tips		8 Allocated tips		
d Control number		9 Advance EIC payment		10 Dependent care benefits		
e Employee's first name and initial Last name Suff. Third-Party Sick Pay Recap		11 Nonqualified plans		12a		
		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>		12b		
		14 Other		12c		
				12d		
f Employee's address and ZIP code						
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement

2010

Department of the Treasury—Internal Revenue Service

Copy 1—For State, City, or Local Tax Department

22222		a Employee's social security number		OMB No. 1545-0008		
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld		
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld		
		5 Medicare wages and tips		6 Medicare tax withheld		
		7 Social security tips		8 Allocated tips		
d Control number		9 Advance EIC payment		10 Dependent care benefits		
e Employee's first name and initial Last name Suff.		11 Nonqualified plans		12a		
		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b		
		14 Other		12c		
				12d		
f Employee's address and ZIP code						
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement

2010

Department of the Treasury—Internal Revenue Service

Copy 1—For State, City, or Local Tax Department