

Eye on Washington Regulatory Update



SSA Letters to Notify Employers of Name/SSN Errors on 2018 Forms W-2

As noted in a [July 2018 Eye on Washington](#), the Social Security Administration (SSA) will mail letters to employers that filed 2018 Forms W-2 containing employee names and Social Security numbers (SSNs) that did not match SSA's records, beginning in the last week of March 2019. This letter will be mailed to any employer that had one or more SSNs/names that did not match SSA's records. Letters will be released in waves of roughly 200,000 every two weeks until all affected employers have been notified.

These letters advise the employer of the number of employee names and SSNs that they reported on 2018 Forms W-2 that did not match SSA's records. SSA includes a prominent warning message:

"IMPORTANT: This letter does not imply that you or your employee intentionally gave the government wrong information about the employee's name or SSN. This letter does not address your employee's work authorization or immigration status.

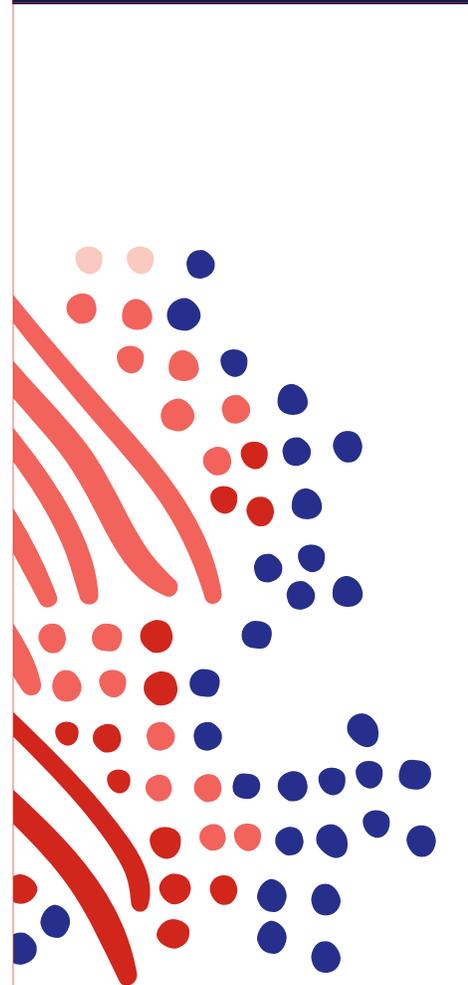
You should not use this letter to take any adverse action against an employee, such as laying off, suspending, firing, or discriminating against that individual, just because his or her SSN or name does not match our records. Any of those actions could, in fact, violate State or Federal law and subject you to legal consequences."

There are many reasons why names and SSNs on Forms W-2 may not match SSA records, such as data input errors (transpositions, typos), and unreported name changes arising from marriage or divorce.

Action Needed

The letter will advise employers to access Employer Report Status within SSA's Business Services Online (BSO) system to view the names and SSNs that could not be matched to SSA records. There is a one-time registration process, found at: www.socialsecurity.gov/bsowelcome.htm

The letter will ask the employer to review the information on the BSO site and the applicable names and SSNs on the related Forms W-2, and provide any necessary corrections on Forms W-2C within 60 days. ▶



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IRS Accuracy Penalties May Apply to Forms W-2

Employers file Forms W-2 to the SSA annually. However, Form W-2 is an IRS tax form, and IRS information reporting penalties¹ may apply under Internal Revenue Code (IRC) Sections 6721 and/or 6722 for failure to file and furnish, respectively, correct Information Returns by the required due date. Examples of Information Returns subject to these IRS penalties include Forms 1099, 1095-C and W-2. For Forms W-2, penalties may apply if an employer:

- Fails to file timely
- Fails to include all information required to be shown on Form W-2
- Includes incorrect information on Form W-2 (including employee names and/or SSNs that don't match government databases)
- Files on paper when required to file electronically

Penalties under IRC Section 6721 can be up to \$270 per Form W-2, up to an annual maximum of \$3,282,500² for 2018. For businesses with annual gross receipts of less than \$5 million, the maximum is \$1,094,000. Penalty amounts are indexed and may change annually.

A separate penalty under IRC Section 6722 (failure to furnish correct Information Returns) may also apply to the same error. Both penalties may apply; e.g., if an employer furnished an incorrect form to an employee and also failed to file a correct Form W-2 by the applicable deadline and filing method. If both penalties are assessed, the penalty exposure for employers could be as much as \$540 per Form W-2, up to more than \$6.5 million annually.

Resources

SSA also provides a free Social Security Number Verification Service (SSNVS) through BSO, which allows employers to verify employees' names and SSNs in their records in advance of filing Forms W-2. Using SSNVS can help to significantly reduce errors with W-2 filings.

For more information and a sample letter, see <https://www.ssa.gov/employer/notices.html>.

You may also call SSA at 800-772-6270, or obtain general information at: www.socialsecurity.gov/employer.

1. Reasonable Cause Regulations and Requirements for Missing and Incorrect Names/TINs, (IRS Publication No. 1586).
2. IRS Revenue Procedure 2017-58.

ADP Compliance Resources

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