

Withholding/Remittance Reports

The withholding and remittance reporting obligations relating to payments of sick pay to employees, i.e., disability benefits, are directly impacted by the special tax rules applicable to payments of sick pay. Sick pay generally means any amount paid under a plan because of an employee’s absence from work due to injury, sickness or disability and includes both short- and long-term benefits. Sick pay may be subject to the following taxes:

- Federal Income Tax (FIT)
- Social Security/Medicare (FICA)
- Federal Unemployment Tax (FUTA)
- State Income Taxes (SIT)
- State Unemployment Tax (SUTA)

Sick Pay Tax Rules

Sick pay is generally means any amount paid under a plan because of an employee’s temporary absence from work due to injury, sickness or disability and includes both short- and long-term benefits, subject to Income Taxes (i.e., FIT and SIT) and Employment Taxes (i.e., FICA, FUTA and SUTA) only to the extent that the employer contributes to the cost of the plan or is attributable to pre-tax contributions on behalf of the employee under a cafeteria plan. Conversely, the portion of sick pay funded with employee after-tax contributions will not be subject to Income and Employment Taxes and is therefore exempt from any withholding obligation.

Additionally, under certain circumstances to be discussed, even the taxable portion of sick pay may be exempt from Employment Taxes and the related obligation to withhold Employment Taxes.

Tax Withholding Requirements	Federal Income Taxes	Employee FICA	State Income (State law may vary)
Fully Insured	Voluntary	Mandatory	Voluntary
Self-Funded (without a trust)	Mandatory	Mandatory	Voluntary
Self-Funded (with a trust)	Voluntary	Mandatory	Voluntary

Income Tax Withholding

An employer’s choice for the plan’s funding arrangement will affect the Federal Income Tax withholding rules applied to disability benefits paid to employees (State laws may vary).

If the employer has a self-funded arrangement, MetLife is acting as an agent of the employer when it disburses sick pay to an employee. Accordingly, the taxable portion of the sick pay that MetLife pays as an agent of the employer is generally subject to mandatory Federal Income Tax withholding.

On the other hand, if the plan is fully insured by MetLife, MetLife is acting in its capacity as an insurer when it disburses sick pay to an employee. Accordingly, the taxable portion of the sick pay that MetLife pays as an insurer is generally only subject to voluntary Federal Income Tax withholding.

Note that although an employee may be subject to voluntary withholding, the employee is generally subject to federal and state income taxes on the taxable portion of the disability benefits received. If an employee receiving taxable benefits does not request voluntary withholding, the employee may have a federal and/or state tax liability at year-end and have an estimate tax liability during the year.

Voluntary means the disabled Employee determines the amount of taxes to be withheld from his/her disability benefit. When filing a disability claim, the disabled Employee must complete a IRS Form W-4S indicating the amount of federal taxes to be withheld, if any. For state taxes, the Employee must submit, in writing, the amount of state taxes to be withheld. A W-4S may be obtained from the IRS website.

Mandatory means the taxes are automatically withheld based on the Employee’s most recent IRS Form W-4 information and the regular withholding methods.

In all cases, sick pay paid to an employee’s estate or survivor at any time after the employee’s death is generally not subject to federal income tax withholding.

Employment Taxes

The taxable portion of a disability benefit is subject to Employment taxes except as listed above. The benefits may be subject to FICA taxes if paid in the year of the employee's death. Payments made after the calendar year of an employee's death are not subject to Employment Taxes.

FICA Taxes

In general, the Employer and the Employee must each pay 7.65% of taxable disability benefits as described in the chart below. (The Employer portion is not withheld from the employee's benefits).

FICA Withholding

FICA taxes only apply to the first six complete calendar months of disability benefits. Benefits paid in the first month that an employee is on disability are subject to FICA taxes, but do not count toward the six-month period if the disability does not start on the first of the month. A disabled Employee who returns to work for any length of time and then returns to disability for the same or a different disability will need to start a new six complete calendar month period.

Disability payments made to the employee's estate or beneficiary may be subject to FICA if paid in the year of the employee's death.

Tax Rates and Social Security Wage Base Limit	Social Security	Medicare	Total FICA
Employee Tax	6.2% ¹	1.45% ²	7.65%
Employer Tax	6.2% ¹	1.45% ²	7.65%

FUTA and SUTA Taxes

Disability payments are subject to FUTA to the same extent that they are subject to FICA. Disability benefits are subject to SUTA. You should check the SUTA laws in your state(s) to determine the extent that the disability benefits are subject to SUTA.

Party Responsible For Tax Remittance Type of Plan

Type of Tax	State	Federal	Employee FICA	Employer FICA	FUTA & SUTA
Fully Insured*	MetLife	MetLife	MetLife	Employer ³	Employer ⁴
Self-Funded	Employer ⁵	Employer ⁵	Employer ⁵	Employer ⁵	Employer ⁴

IRS Forms: W-2, 940, 941 and 8922

Who is responsible for remitting taxes depends on whether the Employer's plan is fully insured or self-funded. The chart below summarizes these responsibilities. (It does not cover "Advise to Pay" agreements.)

W-2s

MetLife will, if requested, prepare W-2s for each disabled Employee who receives a taxable benefit. If MetLife agrees to remit the Employer share of FICA, then MetLife will automatically be responsible for producing the Form W-2.

Generally, the Employer's name and EIN will appear on the Form W-2. However, if MetLife agrees to remit the Employer share of FICA (and AC213A, AC213B and/or AC213C is completed), then MetLife's name and EIN will appear on the Form W-2.

940, 941 and 8922 Reporting

MetLife will file Form 941 for all taxes that MetLife is remitting to the IRS. The customer will need to report any taxes that they are required to remit to the IRS on their own 940 and 941 forms.

One IRS Form 8922 "Third Party Sick Pay Recap" will be filed by MetLife to report disability payments and taxes withheld, in the aggregate, for those groups for whom MetLife has remitted the employee's share of Social Security and Medicare taxes, and the Forms W-2 are prepared by us, or the employer, using the name and EIN of the employer.

For all disability customers, the following tax reports are standard:

Disability Payments

Reports are generated showing the amount of disability payments and taxes withheld for each claimant. Short-term disability and long-term disability reports are generated daily and quarterly. The quarterly report is on a cumulative basis. A year-end report is run on a cumulative basis for the year and replaces the 4th quarter cumulative report.

The employer should use the information on the daily report of disability benefits paid to determine the amount of income and employment taxes that the employer is required to remit to the IRS or state tax authorities.

Employer W-2 Reports

Provides a summary of all W-2s generated during the year and takes the place of the Employer copy of the Employee W-2s.

FICA Tax Bill

For fully insured Employers only. When MetLife is appointed as agent to remit Employer FICA, a quarterly bill is produced for reimbursement to MetLife for taxes remitted to the Social Security Administration on the Employer's behalf.

Self-funded customers will not receive a quarterly bill. When MetLife is appointed as agent to remit Employee and Employer FICA, the taxes are withdrawn from the customers bank account.

Employer FICA

MetLife is able to remit the employer portion of FICA in limited situations depending on group size, demographics and State situs among other qualifications. Please discuss with your sales representative for additional details.

For more information, contact your insurance broker, benefits consultant or MetLife representative today.

Tax Letter

Each fall, a letter is sent to each disability employer that outlines the tax services that MetLife will provide.

Management Information Reports (Disability Claims)

In addition to the Tax Reports, there are standard Management Information Reports available through a web-based application. These reports are not available to all customers at this time.

Additional Tax Information

Additional tax information can be found on the IRS website at www.irs.gov.

Clients should seek advice based on their particular circumstances from an independent tax advisor since any discussion of taxes is for general informational purposes only and does not purport to be complete or cover every situation.

MetLife, its agents, and representatives may not give legal, tax or accounting advice and this document should not be construed as such. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

1. For 2019, the Employer Social Security Tax, 6.2% and the Employee Social Security Tax, 6.2% are subject to a wage base limit set by law which normally rises annually. The 2019 wage base for Social Security Tax is \$132,900, there is no wage limit for the Medicare portion of FICA.
2. Supplemental Security Income (SSI) provides benefits to persons with limited income, who are age 65 or older, blind or disabled. The Medicare tax covers the Part A Hospital Insurance. Part A is paid for by a portion of the Social Security tax of people still working. It helps pay for inpatient hospital care, skilled nursing care and other services.
3. MetLife may agree to remit the Employer share of FICA for an additional fee that is billed quarterly. AC213A, AC213B and/or AC213C is required to appoint MetLife as Agent for Tax Remittance.
4. MetLife is unable to remit Federal or State Unemployment Taxes on behalf of the Employer.
5. There are various remitting options whereby MetLife may agree to remit State, Federal, Employee and Employer FICA for an additional fee. AC213A, AC213B and/or AC213C is required to appoint MetLife as Agent for Tax Remittance.

* MetLife appropriately transfers liability to the employer for the employer portion of Social Security, Medicare, FUTA/SUTA tax, via the disability tax reporting to the employer.

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