



## Office of the State Comptroller **PAYROLL BULLETIN**

<b>Subject</b>  Social Security Refunds and Adjustments of W-2's for Workers Compensation Awards	<b>Bulletin No.</b> P-419
	<b>Date</b> February 11, 1985

The Office of the State Comptroller is now receiving Workers Compensation Notices of Decisions directly from the State Insurance Fund. This process eliminates the need for payroll officers to send the Notices of Decision to the OSC and amends the procedure for handling of Workers Compensation in Chapter D, Section 4 of the Payroll Manual.

Workers Compensation received due to occupational injury is exempt from Social Security. Only the amount of the actual award (shown on the C-23 Workers Compensation Notice of Decision as a credit to NYS) is exempt from social security tax. When an award covers more than one calendar year, the amounts applicable to each calendar year must be determined and applied against social security wages for that year. If the amount when subtracted from the employee's gross earnings for the appropriate calendar year results in adjusted gross earnings for that calendar year below the social security wage base, the employee is entitled to a refund of social security tax. If our audit reveals that an adjustment to social security is necessary, the adjustment will be made and any refunds due will be sent to the payroll office to be distributed to the employee.

The amount of the workers' compensation award is also exempt from income taxes. Under instructions issued by IRS:

- (1) If the award covers a single calendar year and is issued in the same calendar year, the employee's gross wages on the W-2 is reduced by the amount of the award. OSC will make this adjustment automatically.
- (2) If the award covers more than one calendar year, the gross wages on the current year's W-2 is adjusted to reflect only the amount applicable to the current calendar year. OSC will make this adjustment automatically. W-2's are not adjusted for Workers' Compensation awards issued for prior calendar years. Employees who receive an award for a prior calendar year should contact a local IRS office for instructions on amending a prior year tax return.