



TheStandard®

## Guide to Taxation of Income Replacement Benefits



## Guide to Taxation to Income Replacement Benefits

Standard Insurance Company (The Standard) developed this guide to help you understand the taxation of income replacement benefits which includes disability benefits and Paid Family & Medical Leave benefits which your employees may receive from The Standard. In this guide, you will find:

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## IRS Definition of Sick Pay

The IRS defines sick pay as any amount paid under a plan for employees because of an employee's temporary absence from work due to injury, sickness or disability. The sick pay may be paid by either the employer or by a third party, such as an insurance company. Based on this definition, the IRS classifies the LTD, STD and SDI benefits paid to your employees as sick pay.

## Taxation of Sick Pay Benefits

Internal Revenue Code (IRC) Section 105 indicates that LTD, STD and SDI benefits, as sick pay, are to be included in the gross income of employees if the employer pays part or all of the premium for the coverage. In these situations, the disability benefits received by the employee are subject to federal taxation. Accordingly:

- If the employer pays the entire insurance premium, then the benefits received are 100 percent taxable to the employee
- If the employer pays a portion of the premium and the employee pays the balance with post-tax dollars, then the benefits are taxable in the same proportion as the percentage of the premium paid by the employer
- If the employer pays a portion of the premium and the employee pays the balance with pre-tax dollars through a Section 125 Cafeteria Plan, then the benefits received are 100 percent taxable to the employee
- If the employer pays nothing and the employee pays the entire premium with post-tax dollars, then the benefits received are not taxable
- If the employer pays nothing and the employee pays the entire premium with pre-tax dollars, then the benefits received are 100 percent taxable to the employee

For additional detailed information about the taxation of sick pay or disability benefits, refer to the chart below and to IRS Publication 15-A, *Employer's Supplemental Tax Guide*.

## Taxation of Disability Benefits

Who Pays the Insurance Premium?	Is the Benefit Taxable?	How Much of the Benefit is Taxable?
Employer pays 100%	Yes	100%
Employer pays portion and employee pays balance with post-tax dollars	Yes	Percentage of premium paid by employer
Employer pays portion and employee pays balance with pre-tax dollars	Yes	100%
Employee pays 100% with post-tax dollars	No	None
Employee pays 100% with pre-tax dollars	Yes	100%

## Employee Pays Portion of the Insurance Premium with Post-tax Dollars

When the employee pays a portion of the insurance premium with post-tax dollars, then any disability benefits received are taxable in the same proportion as the percentage of the premium paid by the employer. According to IRS regulations, the percentage of premium paid by the employer is to be calculated using a three-year average.

For group policies in force three or more years, the three-year average refers to the three policy years before the calendar year in which the disability benefits are paid. For group policies in force less than three but more than one year, the percentage of the premium paid by the employer is based on the actual premium paid for the policy years in effect. For group policies in force less than one year, then a reasonable estimate of the percentage of the premium paid by the employer for the first policy year is used.

To calculate the taxable benefit amount, multiply the total disability benefits paid to the employee by the three-year average of the percentage of premium paid by the employer.

For example, an employee receives an LTD benefit of \$2,000 a month under a group policy paid for by both employer and employee contributions. For the three policy years before the employee became disabled, the employer paid an average of 70 percent of the total premium and employees paid the remaining 30 percent with post-tax dollars. As the employer paid 70 percent of the total premium, 70 percent of any monthly LTD benefit received, or \$1,400 ( $\$2,000 \times 70$  percent) in this example, is subject to taxation. The other 30 percent, or \$600 in this example, of each monthly LTD benefit is not taxable as employees paid for this portion of the total premium with post-tax dollars.

If you change the percentage of the premium you pay, then you must also use the three-year average to determine the percentage of the disability benefit subject to taxation.

## Owner Status and Taxation of Disability Benefits

Businesses that purchase accident and health policies, including group disability insurance, usually may consider the premiums for this coverage as a tax-deductible expense. The type of business entity and the employment status of the insured owner usually determine the tax consequences of any disability benefits received by that owner. Below are a few guidelines that apply to common business entities. Consult with a tax advisor for specific details about your particular situation.

### Corporations

Owners who actively participate in a “C” corporation are considered employees. Thus, a corporation may treat premiums paid for disability coverage on shareholder employees and non-shareholder employees as a tax-deductible expense. When the corporation pays the entire premium, the disability benefits are taxable to the employees, even the owners.

### Partnerships

In partnerships and other entities that are taxed as partnerships, including “S” corporations and limited liability companies, the owners are not considered employees. A business may treat premiums for disability insurance for employees as a tax-deductible expense. The cost of insurance for the owners is included in their gross income. Therefore, disability benefits received by a partner/owner are not taxable to the partner/owner. When the business pays the entire premium for employees, then the disability benefits are taxable to the employees.

### Sole Proprietors

With a sole proprietorship, the owner and business are one and the same. A sole proprietor may treat premiums for employee disability insurance as a tax-deductible expense. The cost of the owner’s insurance is included in the owner’s gross income. Therefore, disability benefits paid to the owner are not taxable to the owner.

## Premium Contributions as a Key Factor

Who pays the premium for disability coverage and whether it is paid with pre-tax or post-tax dollars are key factors in determining the taxability of disability benefit payments. The Standard reports taxable benefits based on the terms of the group policy.

Discrepancies between the terms of the group policy and the actual plan administration can result in complicated tax reporting problems for you, your employees and The Standard. Therefore, please make premium payments as specified in the group policy. If a discrepancy exists, you may need to request an amendment to your group policy to accurately reflect your premium payment arrangement. In this situation, please contact your insurance advisor or the Employee Benefits Sales and Service Office for your area at 800.633.8575.

## Tax Reporting Responsibilities

IRC Section 6051 (f) requires insurers to provide information to policyholders and plan sponsors to allow them to report on sick pay benefits paid to their employees. This includes the amount of disability benefits paid and taxes withheld from those benefits during the previous calendar year. It applies to benefits paid under both insured group policies and self-funded employer-paid plans administered through administrative services only (ASO) agreements. The Standard automatically provides this information to you with daily, monthly and annual reports. Refer to **Policyholder/Plan Sponsor Reports** for more information.

With the information provided on these reports, you are responsible for paying the employer share of applicable federal and state taxes, reporting and remitting taxes withheld and providing tax reporting forms to employees for disability benefits received from The Standard. To help you fulfill these responsibilities, The Standard automatically performs some of these tasks and offers a separate service agreement to perform some of the others for you. Refer to **FICA & W-2 Tax Reporting Service Agreement for STD and SDI Customers** for more information.

### Policyholder/Plan Sponsor Responsibilities

You are responsible for the following unless you have a signed FICA & W-2 tax reporting service agreement with The Standard:

- Pay the employer share of Social Security and Medicare (FICA/Tier 1) taxes payable on insured STD and SDI benefits paid to your employees by The Standard
- Report the FICA/Tier 1 taxes withheld and the taxable amount of insured STD and SDI benefits on your Form 941 Employer's Quarterly Federal Tax Return
- Prepare Form W-2 Wage and Tax Statements and provide to employees for STD or SDI benefits received from The Standard

In addition, you are always responsible for paying and reporting federal and state unemployment taxes, such as FUTA and SUTA, and any other miscellaneous payroll taxes due on LTD, STD and SDI benefits.

### Standard Insurance Company Responsibilities

As a service to you and our other customers, The Standard:

- Pays the employer share of FICA/Tier 1 taxes payable on LTD and ASO STD benefits paid to your employees
- Reports the FICA/Tier 1 taxes withheld and the taxable amount of LTD and ASO STD benefits on our Form 941
- Prepares and provides W-2 forms to employees for LTD and ASO STD benefits received from The Standard
- Provides the annual Disability Income Report to you with information you need to prepare W-2 forms for employees for the insured STD and SDI benefits received from The Standard

If you have signed a FICA & W-2 tax reporting service agreement with The Standard, The Standard will:

- Pay the employer share of FICA/Tier 1 taxes payable on insured STD and SDI benefits paid to your employees
- Report the FICA/Tier 1 taxes withheld and the taxable amount of insured STD and SDI benefits on our Form 941
- Prepare and provide W-2 forms to employees for insured STD and SDI benefits received from The Standard

Refer to **FICA & W-2 Tax Reporting Service Agreement for STD and SDI Customers** for more information about the above services we offer to policyholders with single-employer STD and SDI insurance plans.

### Tax Reporting Responsibilities

Tax Reporting Activity	LTD Plan or ASO STD	Insured STD or SDI Plan without FICA & W-2 Tax Reporting Service Agreement	Insured STD or SDI Plan with FICA & W-2 Tax Reporting Service Agreement
Remit employee share of FICA/Tier 1 tax	The Standard	The Standard	The Standard
Pay employer share of FICA/Tier 1 tax	The Standard	Policyholder	The Standard
Report disability benefits on Form 941	The Standard	Policyholder	The Standard
Prepare W-2 forms for disability benefits paid to employees	The Standard	Policyholder	The Standard
Pay and report other payroll taxes (e.g., FUTA, SUTA)	Policyholder	Policyholder	Policyholder

## FICA & W-2 Tax Reporting Service Agreement for STD and SDI Customers

Our Social Security and Medicare tax reporting service makes it easy for STD and SDI customers to fulfill their tax obligations on the benefits we pay to their disabled employees. With this service, The Standard:

- Calculates and pays the employer's portion of Social Security and Medicare taxes due on insured STD and SDI benefits paid
- Deposits both the employee's and employer's portions of these taxes with the Federal Reserve System
- Provides the employer with daily, monthly and annual reports on benefit payments and tax withholding
- Prepares W-2 forms and mails to disabled employees
- Reports yearly totals to Internal Revenue Service and Social Security Administration

The Standard's Social Security and Medicare tax service helps to make life easier for insured STD and SDI policyholders by:

- Relieving the employer of administrative paperwork, Social Security and Medicare tax payment and reporting responsibility
- Assuring timely payment and reporting of employer portion of these taxes on insured STD and SDI benefits
- Integrating and streamlining tax reporting for groups with LTD, STD and SDI coverages with The Standard
- Coordinating tax reporting with third-party payroll vendors as needed

To request this service or obtain more information about it, contact your insurance advisor or the Employee Benefits Sales and Service Office for your area at 800.633.8575. The Standard must receive, approve and implement the signed FICA & W-2 service agreement by December 15 for it to be effective for the following calendar year. Once established, the agreement remains in place for each full calendar year until you notify us in writing that you want to cancel it. In this case, the agreement will be discontinued effective January 1 of the year after we receive your request.



## Policyholder/Plan Sponsor Reports

To fulfill our responsibility to provide you with information that allows you to report and pay taxes on sick pay benefits paid to your employees, The Standard provides two separate reports:

- Group Benefits Activity Report
- Disability Income Report

These reports, described and illustrated on the following pages, contain the information you need to fulfill your tax paying and reporting responsibilities.

When you receive these reports, we encourage you to:

- Verify that all individuals listed on the reports are your employees and that we have the correct spelling of their names and their correct Social Security numbers.
- Check the employer's contribution percentage for accuracy. The reports reflect the percentage according to our records. Your employees will be taxed on the benefits they received based on this percentage.
- Notify us of any discrepancies you may find or if you have questions about any of the report information.

If you need assistance with the tax reports or have questions about them, please contact The Standard at 800.525.3973.

## Tax Report Distribution

You may have the tax reports sent to one central location or individual within your organization responsible for managing your disability benefit programs or to separate, multiple locations or individuals. Unless advised otherwise, we send these reports to the location you have provided as your primary address.

If you want these reports sent to one or more locations other than your main address, then we identify these other locations using “administrative unit” or “tax unit” addresses.

For example, if you want information concerning benefit payments sent to one or more locations, we establish one or more administrative unit addresses for you. Similarly, if you want tax-related information sent to one or more locations, we establish one or more tax unit addresses for you.

When a claim for disability benefits is received, we assign it to the appropriate administrative and tax units so that benefit and tax payment data are captured and reported on the appropriate reports and delivered to the correct location.

If we establish administrative unit addresses for your organization, we send the monthly Group Benefits Activity Reports to those units with the appropriate employees for each unit reflected on the reports.

If we do not establish any administrative or tax unit addresses for you, then all of the reports go to your primary address. Please refer to the chart below for a summary of this information.

You can access on demand FICA data by pulling the “STD Claims Run & FICA Report” or “Payment Detail (STD/STAT)” report from AdminEase.

### Who Receives Tax Reports?

Administrative Unit Address?	Tax Unit Address?	Group Benefits Activity Report	Disability Income Report
No	No	Primary address	Primary address
Yes	Yes	Administrative unit address	Tax unit address
Yes	No	Administrative unit address	Primary address
No	Yes	Primary address	Tax unit address

## Group Benefits Activity Report

The Standard generates the Group Benefits Activity Report at the end of each month in which claims activity occurs. It provides a summary of all LTD, STD and SDI benefit payments made to disabled employees during the prior month, along with FICA/Tier 1 tax and other deductions withheld from benefits.

If we have established one or more administrative unit addresses for you, each location receives this report, with information for only those employees associated with that specific administrative unit address. Otherwise, we send this report to your primary address.

When you receive the monthly Group Benefits Activity Report, we encourage you to:

- Verify that the individuals listed on it are your employees and that their names and Social Security numbers are correct

### Group Benefits Activity Report

#### Product

Indicates type of insurance coverage.

Examples: LT - Long Term Disability  
ST - Short Term Disability

#### Offsets

“Deductible Benefits” or “Income from Other Sources.”

Refer to list of codes on last page of your actual report.

Examples: SD - Social Security - Disability  
WT - Worker’s Comp - Temporary

PROCLAIM						NORTHWEST					
REPORT: 140-02-00						GROUP BENEFITS ACTIVITY FOR (					
GROUP	123456	ABC COMPANY									
MEMBER:	JANE	EMPLOYEE				SSN:	222-00-2222			HIRE DA	
CONTRACT:	123456	ADMIN UNIT:				STATUS:	ACTIVE			REASON:	
CLAIM:	00001234	PRODUCT:	ST			DISAB DATE:	08/02/2022			DEGREE:	
CONTRACT:	123456	ADMIN UNIT:				STATUS:	ACTIVE			REASON:	
CLAIM:	00001234	PRODUCT:	ST			DISAB DATE:	08/02/2022			DEGREE:	
GROSS BENEFIT	338.58	OFFSETS	0.00	NET BENEFIT	338.58	COLA/ABI	0.00	SL/HSPTL BENEFITS	0.00	ADJUS	
					EMPLOYER FI	20.99					
					EMPLOYER ME	4.91					
CONTRACT:	123456	ADMIN UNIT:				STATUS:	ACTIVE			REASON:	
CLAIM:	00001234	PRODUCT:	ST			DISAB DATE:	08/02/2022			DEGREE:	
GROSS BENEFIT	263.34	OFFSETS	0.00	NET BENEFIT	263.34	COLA/ABI	0.00	SL/HSPTL BENEFITS	0.00	ADJUS	
					EMPLOYER FI	16.33					
					EMPLOYER ME	3.82					
*****											
MEMBER:	JOHN	EMPLOYEE				SSN:	111-00-1111			HIRE DA	
CONTRACT:	123456	ADMIN UNIT:				STATUS:	ACTIVE			REASON:	
CLAIM:	00001234	PRODUCT:	ST			DISAB DATE:	08/02/2022			DEGREE:	
CONTRACT:	123456	ADMIN UNIT:				STATUS:	ACTIVE			REASON:	
CLAIM:	00001234	PRODUCT:	ST			DISAB DATE:	08/02/2022			DEGREE:	
GROSS BENEFIT	338.58	OFFSETS	0.00	NET BENEFIT	338.58	COLA/ABI	0.00	SL/HSPTL BENEFITS	0.00	ADJUS	
					EMPLOYER FI	20.99					
					EMPLOYER ME	4.91					
*****											
TOTAL FOR: ST											
					EMPLOYER FI	58.31					
					EMPLOYER ME	13.64					
SUMMARY OF ACTIVITY:											
					APPROVED	2					
					DENIED	0					
					CLOSED	0					
					PAID	3					

- Verify the employer contribution percentage reflects the percentage of the group insurance premium you pay as the employer
- Calculate any outstanding employer's matching share of FICA/Tier 1 tax amounts on insured STD and SDI benefits and deposit with the IRS as required<sup>1</sup>
- Save the report and reference it when completing your quarterly Form 941<sup>1</sup>

Please notify The Standard immediately of any errors or discrepancies on these reports. By notifying us before the end of the calendar year, we can review and correct any errors before generating the year-end Disability Income Report and other tax-related forms and statements.

1 For insured STD and SDI policyholders with a signed FICA & W-2 tax reporting service agreement with The Standard, we calculate and deposit any amounts due with the IRS and report this on our Form 941.

ADJ. NET		PAYMENT		WITHHELD/		AMT	
BENEFIT	DEDUCTIONS	AMOUNT	REPAYMENT	ISSUED			
0.00	338.58	25.90	312.68	0.00	312.68		
	FI	20.99	O/P BAL:				
	ME	4.91					

ADJ. NET		PAYMENT		WITHHELD/		AMT	
BENEFIT	DEDUCTIONS	AMOUNT	REPAYMENT	ISSUED			
0.00	263.34	20.15	243.19	0.00	243.19		
	FI	16.33	O/P BAL:				
	ME	3.82					

ADJ. NET		PAYMENT		WITHHELD/		AMT	
BENEFIT	DEDUCTIONS	AMOUNT	REPAYMENT	ISSUED			
0.00	940.50	71.95	868.55	0.00	868.55		
	FI	58.31					
	ME	13.64					

### Employer Contribution %

Percent of premium contribution the IRS considers to have been paid by employer/plan sponsor for purpose of calculating taxable benefits.

### Adjusted Net Benefit

Amount payable before withholding for deductions. Multiply this amount by the Employer Contribution % to determine how much is considered reportable as federal wages.

### Deductions

Taxes and other withholdings. Refer to list of codes on last page of your actual report.

Examples: FI - Social Security Tax (6.2%)  
ME - Medicare Tax (1.45%)

# - Indicates The Standard has remitted the matching employer FICA amount.

### Withheld Repayment

Amount deducted to recover a claim overpayment.

### O/P Balance

Amount by which the claim was overpaid as of this payment.

### Summary Totals

## Disability Income Report

The Standard generates the annual Disability Income Report after the end of each calendar year to report to you the amount of LTD, STD and SDI benefits paid to disabled employees. On the Disability Income Report you will find information about each disabled employee who received disability benefits at any time during the prior calendar year. It includes employee name, address, Social Security number, along with yearly totals for benefit payments and all taxes withheld and adjusted during the previous year, from January 1 through December 31.

If we have established one or more tax unit addresses for you, each location receives this report, with information on only those employees associated with that specific tax unit address. Otherwise, we send the Disability Income Report to your primary address.

If you use an outside payroll vendor, please notify your vendor that you will receive the Disability Income Report with disability sick pay benefit information for the prior year in early January. Your vendor should not close your payroll books until after you receive this report. Failure to inform your vendor about this could result in your vendor charging you additional processing fees.

When you receive the annual Disability Income Report, you should prepare a W-2 form for disability benefits received by each disabled employee listed on the report, unless The Standard will be doing this. If The Standard will prepare a W-2 form for disability benefits received by an employee listed on the report, "We Prepared W-2" appears under the employee's name and address.

As a reminder, The Standard automatically prepares W-2 forms for your employees for the following disability benefits they receive:

- All LTD benefits
- All ASO STD benefits
- All insured STD and SDI benefits covered under group policies with signed FICA & W-2 tax reporting service agreements

The taxable amount shown on the Disability Income Report is calculated by multiplying the total benefits issued for the year by the taxable percentage. The Standard relies upon the information you supply about premium contributions to determine the taxable percentage.

If the taxable percentage or any other information on the report is incorrect, please immediately notify The Standard so that all current and future tax statements and reports will be corrected. For any W-2 forms you may be preparing where the taxable percentage is incorrect on the report, you will need to recalculate the taxable amount using the correct taxable percentage.

# Disability Income Report



TheStandard®

Your Federal Tax ID#  
Please notify us if this  
number is incorrect  
or missing.

91 999999  
ABC COMPANY  
ATTN PAYROLL DEPT  
1234 YOUR STREET  
YOUR TOWN OR 12345

FEDERAL TAX ID# 000000001

DATE: 12/31/2022  
PAGE 1

## 2022 YTD DISABILITY INCOME REPORT

PUBLIC LAW 96-601 REQUIRES INSURANCE CARRIERS TO REPORT THE AMOUNT OF DISABILITY PAYMENTS MADE TO YOUR EMPLOYEES LAST YEAR. WE MUST ALSO REPORT TO YOU THE AMOUNTS WITHHELD FOR TAXES. THE INFORMATION BELOW IS FOR YOUR USE IN PREPARING TAX FORMS FOR YOUR EMPLOYEES. YOU MAY RECEIVE A HARDCOPY VERSION BY CALLING 800.378.4665.

\* INDICATES THE CLAIM WAS SET UP IN 2022. IF REPAYMENT OR BENEFITS WITHHELD DATA APPEAR ON THE REPORT, REFER TO THE "DISABILITY INCOME REPORT INFORMATION" SECTION IN THE TAX PACKET FOR INSTRUCTIONS ON HOW CREDIT MAY BE REFLECTED ON THE W-2. TAX RATES USED: EE SS 6.20%, ER SS 6.20%, EE MED 1.45%, ER MED 1.45%

\*\*\* SHORT TERM DISABILITY \*\*\*

Indicates type of  
insurance coverage.

CLAIM NUMBER	MEMBER/PROVIDER SS/TIN NUMBER		TAXES / DEDUCTIONS
*YOUR EMPLOYEE		BNFTS ISSUED	883.51 GROSS TXBL 883.51
00999999 XXX-XX-XXXX		REPAYMENTS	.00 TAXABLE % 100.00
1234 ANY STREET		BNFTS WITHLD	.00 UCT .00
ANY TOWN OR 12345		NET BENEFIT	883.51 STATE .00
		ADJ TAXABLE	883.51 FEDERAL .00
		SS WAGE AMT	883.51 S SECURITY 54.77
		MED WAGE AMT	883.51 MEDICARE 12.81
		TIER 1 WAGE	.00 RR TIER 1 .00
		TR1 MED WAGE	.00 TIER 1 MED .00
***ST - WE PREPARED W-2 ***		STATE WAGES	883.51
		ER EST SS TX	54.78
		ER EST MED TX	12.81

Taxable %  
The portion of benefit  
considered taxable.  
Please notify us  
immediately if  
this is incorrect.

Do not prepare a  
tax statement for  
these benefits.  
The employee will  
receive a W-2 form  
from The Standard.

WE PREPARED W-2	***** 2022 YTD TOTALS	CLAIM COUNT IS:	1
	BENEFITS ISSUED	883.51	
	REPAYMENTS	.00	
	BENEFITS WITHLD	.00	UCT .00
	REPORTABLE BEN	883.51	STATE .00
	TAXABLE AMOUNT	883.51	FEDERAL .00
	SS WAGE AMT	883.51	S SECURITY 54.77
	MED WAGE AMT	883.51	MEDICARE 12.81
	TIER 1 WAGE AMT	.00	RR TIER 1 .00
	TIER 1 MED WAGE	.00	TIER 1 MED .00
	STATE WAGES	883.51	
	ER ESTIMATE SS TX	54.78	
	ER ESTIMATE ME TX	12.81	

Standard Insurance Company 1100 SW Sixth Avenue, Portland OR 97204

## Disability Benefits Frequently Asked Questions

We already prepared a W-2 form for the LTD, STD or SDI benefits one of our employees received from The Standard. The Disability Income Report shows that The Standard also prepared a W-2 form for this employee.

### What should we do?

If you mistakenly prepare a W-2 form for disability benefits for an employee for whom The Standard also prepared a W-2 form, you will need to amend your tax reports to prevent double reporting of the benefits to the IRS. Please contact your tax consultant for further information or advice about your specific situation.

### What about disabled employees no longer on our payroll?

Under IRC Section 6051(f), insurers are responsible for providing employers with information on disability benefits paid to employees, while employers are responsible for preparing W-2 forms for these employees, even if they are no longer employed with the employer. As a service to our customers, The Standard automatically prepares W-2 forms for LTD and ASO STD benefits received by disabled employees. If you have a signed FICA & W-2 tax reporting service agreement with The Standard, we prepare W-2 forms for disabled employees no longer on your payroll who received insured STD and SDI benefits in the prior year. If neither of these situations apply, then the employer is responsible for preparing W-2 forms for the insured STD and SDI benefits their employees received, even if they are not currently employed with the employer.

### Do we still have to provide W-2 forms to disabled employees for their regular wages?

Yes. The Standard prepares W-2 forms for disability benefits only. You must prepare W-2 forms for any regular wages you paid to employees during the year. We suggest you contact your tax consultant for further information or advice about your particular situation.

### Why does our Disability Income Report have a field labeled “Federal”?

If part or all of an employee’s disability benefits are subject to taxation, the employee may request that The Standard withhold a portion of benefits for federal income taxes. This voluntary withholding may ease the employee’s obligation when federal income taxes are due.

To have federal income taxes withheld from their disability benefits and remitted to the government, employees must complete and sign a Form W-4S and submit it to The Standard. The Standard will remit amounts withheld to the government and report these under The Standard’s name and tax identification number. The total amount withheld for the calendar year is listed on the Disability Income Report next to the label “Federal” and should be reflected on any W-2 form prepared for the employee.

For ASO STD plans, The Standard withholds federal income tax based on either the current IRS mandatory tax rate or the disabled employee’s Form W-4.

## **How do we calculate the Social Security and Medicare wages to enter on the W-2 form?**

If Social Security, Tier 1 or Medicare tax was withheld from STD or SDI benefits during the calendar year and you are responsible for the tax reporting, you must determine the Social Security, Tier 1 or Medicare wage amounts and enter them in the appropriate box on the W-2 form.

Generally, you can divide the amount of Social Security tax withheld by 0.0620 to get the Social Security Wage amount and divide the amount of Medicare tax withheld by 0.0145 to get the Medicare Wage amount.

## **If we are responsible for tax reporting, how do we balance our quarterly Form 941 and the W-2 forms we produce for STD and SDI benefits?**

When you prepare your quarterly Form 941, include the taxable benefit data and Social Security, Tier 1 and Medicare tax withholding data from the monthly Group Benefits Activity Report. Verify that the information reflected on the Form 941 matches the W-2 forms you produce.

To balance the Form 941 and W-2 forms, only report on the Form 941 those taxable disability benefits and Social Security or Medicare tax amounts that you will include on the W-2 forms you will prepare. Do not report any LTD or ASO STD benefits information as The Standard will do this. Also, be sure to take into account any insured STD or SDI benefit payment adjustments.

You may want to refer to the IRS *Instructions for Forms W-2 and W-3* for more information. You may view or download these instructions from the IRS Web site at <https://www.irs.gov/pub/irs-pdf/iw2w3.pdf>.

## **What if our Form W-3 transmittal or magnetic tape has been prepared and mailed before we receive the Disability Income Report?**

Your options will vary depending on your situation. Contact your local IRS or Social Security office. You may also want to refer to:

- SSA Publication MMREF-1, *Magnetic Media Reporting and Electronic Filing*
- *Instructions for Forms W-2 and W-3*
- IRS Publication 15, *Circular E, Employer's Tax Guide*



## Glossary of Terms

<b>140 Report</b>	See <i>Group Benefits Activity Report</i> .
<b>Administrative Services Only</b>	Self-funded, employer-paid plan administered through an administrative services only (ASO) agreement.
<b>Administrative Unit Address</b>	A location specified by the policyholder/plan sponsor to which the monthly Group Benefits Activity Report is sent for a specific set of claims. A policyholder/plan sponsor may specify one or more administrative unit addresses. If no administrative unit address is identified, The Standard sends the Group Benefits Activity Report to the policyholder/plan sponsor's primary address. See also <i>Tax Unit Address</i> .
<b>ASO</b>	See <i>Administrative Services Only</i> .
<b>Contributory</b>	An insurance policy that is elective and for which employees pay all or part of the insurance premiums. If the employee pays the entire insurance premium with post-tax dollars, benefits received are not taxable to employees.
<b>DBL</b>	Disability Benefits Law insurance. Statutory weekly income benefits required by the State of New York to be paid to eligible employees who cannot work as the result of non-occupational, disabling injuries and illnesses.
<b>DIR</b>	See <i>Disability Income Report</i> .
<b>Disability Income Report</b>	The Standard generates this annual report after the close of the calendar year and provides it to each policyholder/plan sponsor with disabled employees who had LTD, STD or SDI claim activity during the prior year. The report identifies those disabled employees for whom The Standard will prepare W-2 forms, as well as those employees for whom the policyholder/plan sponsor is responsible for preparing W-2 forms. If we establish tax unit addresses for the employer, we send the reports to the respective tax unit addresses. Otherwise, the policyholder/plan sponsor's primary address receives this report.
<b>EIN</b>	See <i>Employer Identification Number</i> .
<b>Employer Identification Number</b>	The identifying number assigned by the IRS to organizations for tax reporting purposes.

<b>Federal Income Tax</b>	Portion of taxable income assessed by the federal government in order to satisfy an individual's federal income tax obligations. Federal income taxes may be withheld from disability benefits.
<b>Federal Unemployment Tax</b>	The policyholder/plan sponsor is responsible for payment of this tax if payable for LTD, STD and SDI benefit payments.
<b>FICA Tax</b>	Common term used for Social Security and Medicare taxes.
<b>FICA &amp; W-2 Tax Reporting Service Agreement</b>	Written agreement between an insured STD or SDI policyholder and The Standard for The Standard to do the tax reporting and prepare the tax statements for insured STD or SDI benefits issued to the policyholder's disabled employees.
<b>FIT</b>	See <i>Federal Income Tax</i> .
<b>Form 941</b>	Short name for Form 941 Employer's Quarterly Federal Tax Return. This is the federal tax return which employers file with the IRS each quarter to report payroll and taxes due.
<b>Form 8922</b>	IRS Form 8922 is a more recently established tax form that reconciles the reporting of sick pay by a third party on behalf of employers where the liability for FICA taxes is split between the employer and the third party.
<b>Form W-2</b>	Short name for Form W-2 Wage and Tax Statement. The tax form the IRS requires employers provide to employees to report income received each year regardless if the income is taxable or not. Commonly referred to as a W-2 form.
<b>Form W-3</b>	Short name for Form W-3 Transmittal of Wage and Tax Statements. This is the transmittal form that accompanies W-2 forms submitted by reporting entity to the IRS for processing. Commonly referred to as a W-3 form.
<b>FUTA</b>	See <i>Federal Unemployment Tax</i> .

<b>Group Benefits Activity Report</b>	Also referred to as the 140 Report, The Standard provides this monthly report to policyholders/plan sponsors to report on all LTD, STD and SDI benefit payments made to a policyholder/plan sponsor's disabled employees during the prior month. If we establish administrative unit addresses for the employer, we send the reports to the respective administrative unit addresses. Otherwise, the policyholder/plan sponsor's primary address receives these reports.
<b>Income Replacement Benefits</b>	Disability and Paid Family Leave benefits that include but are not limited to STD, SDI, TDB, DBL and PFML.
<b>IRC</b>	Internal Revenue Code.
<b>IRS</b>	Internal Revenue Service.
<b>LTD</b>	Long Term Disability.
<b>Non-contributory</b>	An insurance policy that is non-elective and the employer pays the entire insurance premium, or the employer requires all eligible members to have insurance and to pay all or part of the insurance premium. If the employer pays the entire insurance premium, all benefits received will be 100 percent taxable to employees. In the other situation, benefits received will be taxable to the employee in the same proportion that the employer paid the premium.
<b>Plan Sponsor</b>	The employer that sponsors a self-funded, employer-paid plan through an ASO agreement.
<b>Policyholder</b>	The employer who has an insured group policy with The Standard.
<b>Post-tax Premium Payment</b>	Premium payments that are paid with funds from which federal taxes have been deducted.
<b>Pre-tax Premium Payment</b>	Premium payments that are paid with funds from which federal taxes have not been deducted.
<b>Quarterly 941 Report</b>	See <i>Form 941</i> .
<b>Sick Pay</b>	IRS classification for LTD, STD and SDI benefits.
<b>SIT</b>	See <i>State Income Tax</i> .

<b>Social Security Administration</b>	The federal agency responsible for the collection of Social Security and Medicare taxes and administration of corresponding benefit payments.
<b>SSA</b>	See <i>Social Security Administration</i> .
<b>State Income Tax</b>	The portion of taxable income assessed by state governments to satisfy an individual's state income tax obligations. In some cases, state income taxes may be withheld from LTD, STD or SDI benefits.
<b>State Unemployment Tax</b>	The policyholder/plan sponsor is responsible for payment of this tax if payable for LTD, STD and SDI benefit payments.
<b>STD</b>	Short Term Disability.
<b>SUTA</b>	See <i>State Unemployment Tax</i> .
<b>Tax Reporting Service Agreement</b>	See <i>FICA &amp; W-2 Tax Reporting Service Agreement</i>
<b>Tax Unit Address</b>	A location specified by the policyholder/plan sponsor to which the annual Disability Income Report is sent for a specific set of claims. A policyholder/plan sponsor may specify one or more tax unit addresses. If no tax unit address is identified, The Standard sends this report to the policyholder/plan sponsor's primary address. See also <i>Administrative Unit Address</i> .
<b>Taxpayer Identification Number</b>	This may be a Social Security number for an individual or an Employer Identification Number for an employer.
<b>Third Party Sick Pay</b>	Sick pay benefits paid to an employee by a party other than the employer.
<b>Tier 1 Tax</b>	The equivalent of Social Security and Medicare taxes for railroad workers.
<b>TIN</b>	See <i>Taxpayer Identification Number</i> .

## Quick Reference Guide for All LTD Policyholders and ASO STD Plan Sponsors

### As The Standard Makes LTD and ASO STD Benefit Payments

#### The Standard:

- Calculates and withholds the employee's portion of FICA/Tier 1 tax liability and deposits funds as required with the IRS
- Calculates the policyholder/plan sponsor's portion of FICA/Tier 1 tax liability and deposits funds as required with the IRS

#### The Policyholder/Plan Sponsor:

- Calculates the policyholder/plan sponsor's liability for FUTA, SUTA and other payroll taxes and deposits funds as required

### At the End of Each Month

#### The Standard:

- Sends the monthly Group Benefits Activity Report to the policyholder/plan sponsor

#### The Policyholder/Plan Sponsor:

- Verifies the accuracy of information on the Group Benefits Activity Report, including employee names and Social Security numbers, contract number and employer contribution percentage

### At the End of the Year

#### The Standard:

- Sends the annual Disability Income Report to the policyholder/plan sponsor by January 15
- Prepares and mails W-2 forms to disabled employees for LTD and ASO STD benefits they received from The Standard
- Reports yearly LTD and ASO STD benefit and tax withholding totals, as required, to the IRS and Social Security Administration

#### The Policyholder/Plan Sponsor:

- Reports FUTA, SUTA and other applicable payroll taxes paid during the year
- Prepares and mails W-2 forms to disabled employees for regular wages they received from the policyholder
- Reports regular wages and tax withholding totals, as required, to the IRS and Social Security Administration

## Quick Reference Guide for Insured STD and SDI Policyholders Without a FICA & W-2 Tax Reporting Service Agreement

### As The Standard Makes Insured STD and SDI Benefit Payments

#### The Standard:

- Calculates and withholds the employee's portion of FICA/Tier 1 tax liability and deposits funds as required with the IRS

#### The Policyholder:

- Calculates the policyholder's portion of FICA/Tier 1 tax liability and deposits funds as required with the IRS
- Calculates the policyholder's liability for FUTA, SUTA and other payroll taxes and deposits funds as required

### At the End of Each Month

#### The Standard:

- Sends the monthly Group Benefits Activity Report to the policyholder

#### The Policyholder:

- Verifies the accuracy of information on the Group Benefits Activity Report, including employee names and Social Security numbers, contract number and employer contribution percentage
- Calculates the policyholder's portion of FICA/Tier 1 taxes from the STD Claims Run & FICA reports and compares to the monthly report to determine if any adjustments are needed and deposits funds as required with the IRS

### At the End of the Year

#### The Standard:

- Sends the annual Disability Income Report to the policyholder by January 15
- Files Form 8922 if no FICA Service Agreement is in place with the IRS to report the Employee's income and FICA taxes withheld by The Standard during the year.

#### The Policyholder:

- Prepares and mails W-2 forms to disabled employees for regular wages and insured STD and SDI benefits they received and reports yearly totals, as required, to the IRS and Social Security Administration
- Reports FUTA, SUTA and other applicable payroll taxes paid during the year

## Quick Reference Guide for Insured STD and SDI Policyholders With a FICA & W-2 Tax Reporting Service Agreement

### As The Standard Makes Insured STD and SDI Benefit Payments

#### The Standard:

- Calculates and withholds the employee's portion of FICA/Tier 1 tax liability and deposits funds as required with the IRS
- Calculates the policyholder's portion of FICA/Tier 1 tax liability and deposits funds as required with the IRS

#### The Policyholder:

- Calculates the policyholder's liability for FUTA, SUTA and other payroll taxes and deposits funds as required

### At the End of Each Month

#### The Standard:

- Sends the monthly Group Benefits Activity Report to the policyholder

#### The Policyholder:

- Verifies the accuracy of information on the Group Benefits Activity Report, including employee names and Social Security numbers, contract number and employer contribution percentage

### At the End of the Year

#### The Standard:

- Prepares and mails W-2 forms to disabled employees for insured STD and SDI benefits they received from The Standard
- Reports yearly insured STD and SDI benefit and tax withholding totals, as required, to the IRS and Social Security Administration

#### The Policyholder:

- Reports FUTA, SUTA and other applicable payroll taxes paid during the year
- Prepares and mails W-2 forms to disabled employees for regular wages they received from the policyholder
- Reports regular wages and tax withholding totals, as required, to the IRS and Social Security Administration

## Guide to Taxation of PFL & PFML Benefits

Paid Family and Medical Leave (PFML) is becoming an increasingly more widespread benefit as additional jurisdictions pass legislation to support their employees. With each jurisdiction providing different benefits and without regulations or guidance provided at the federal level it can be challenging to keep track of each state's requirements. The Standard has assembled the following guidance after review of each state's legislation and will continue to expand and change as more state plans are added. For state specific details please make sure to consult with your tax advisor.

### Taxation of PFL & PFML Benefits

One of the challenges faced by not having federal level regulations is understanding how these benefits should be taxed. States are writing their guidelines under unemployment law which generally treats the benefits as taxable regardless of contribution unless specifically written unto the language of the regulations. Below is a summary of the states where The Standard offers PFML or PFL:

State	Taxability	Tax Statement Issued
New York	100% Taxable	1099M— for both employee and employer payments
Washington	100% Taxable	W2— benefits paid to employees 1099M—Employer reimbursements
Massachusetts	100% Taxable	W2— benefits paid to employees 1099M—Employer reimbursements
California	100% Taxable PFL	W2— benefits paid to employees
Connecticut	100% Taxable	1099M— for both employee and employer payments

### Tax Reporting & Responsibilities

The Standard provides the following tax reports for employers, these reports are similar to the existing tax reports available for disability benefits covered previously on this guide.

- FICA report
- Monthly Activity Report
- Annual Income Report

The Standard offers FICA & W-2 Tax Reporting Service Agreements for PFML products similar to the agreement that we offer for STD & DBL products. If the FICA Service Agreement is selected The Standard will complete the matching of the Employer FICA taxes and prepare the tax statements. Employers who opt out of the FICA service agreement will need to use these reports to prepare the tax statements for their W2s and complete the employer portion of FICA.



<b>Tax Reporting Activity</b>	<b>ASO Plan</b>	<b>Plan with FICA Service Agreement</b>	<b>Plan without FICA Service Agreement</b>
Remit employee share of FICA	The Standard	The Standard	The Standard
Pay employer share of FICA	The Standard	The Standard	Policyholder
Report benefits on Form 941	The Standard	The Standard	Policyholder
Prepare W-2 for benefits issued to employees	The Standard	The Standard	Policyholder
Pay and report other payroll taxes (e.g. FUTA, SUTA)	Policyholder	Policyholder	Policyholder

## PFML Reporting

To fulfill our responsibility to provide you with information that allows you to report and pay taxes on benefits paid to your employees, The Standard provides three separate reports:

- PFML Cumulative FICA Tax Activity Report
- PFML Monthly Group Activity Report
- PFML Income Report

These tax reports will not be mailed but rather they will be on AdminEase for all employers to pull on demand. You can download the information on PDF or CSV format. When you obtain your reports, we encourage you to:

- Verify that all individuals listed on the reports are your employees
- Notify us of any discrepancies you may find or if you have questions about any of the report information.

## PFML Cumulative FICA Tax Activity Report

[PFML/PFL Cumulative FICA Tax Activity Report for Jun/2022](#)

Group Name: ABC Company and Group Id: 88894023

The Social Security and Medicare Tax withheld may include adjustments for prior periods.  
The amounts in the Taxable Benefit column are to be used when calculating the FUTA, SUTA, and other employer related taxes you are responsible for paying and remitting.

Please keep this report for your records.

Admin Unit: AU Contract: 207760											
Transaction Date	Member Name	Member SSN/ITIN	Claim #	Work State	Taxable Benefit	EE Cont. Social Security Withheld	EE Cont. Medicare Withheld	ER Social Security	ER Medicare	Check Number	Tax Statement Preparer
6/23/2022	George, Monica	XXX-XX-2309	AC-21-251764	WA	\$899.50	-\$55.77	\$13.04	-\$55.77	\$13.04	56908	Standard
TOTAL:					\$899.50	-\$55.77	\$13.04	-\$55.77	\$13.04		

## PFML Monthly Group Activity Report

[PFML Monthly Group Activity Report for Jul/2022](#)

Group Name: ABC Company and Group Id: 88894023

Contract: 207760								
Member Name/ Payee Name	SSN/ITIN	Claim #	Work State	Transaction Date	Leave Type	Payment From	Payment To	Tax Statement Preparer
Wade, Matthew	XXX-XX-3458	AC-21-252169	WA	7/11/2022	Continuous	7/16/2022	7/22/2022	Standard
				Gross Benefit	\$773.00	Taxable %	100%	
				Total Offset Adj. Amt.	\$0.00	EE Social Security	-\$47.93	
						EE Medicare	-\$11.21	
				Adj. Net Benefit Amt.	\$773.00	Federal Withholding	-\$7.73	
						State Withholding	\$0.00	
				Check Number	77880	Child Support	\$0.00	
						Amount Paid	\$706.13	
						ER Social Security	-\$47.93	
						ER Medicare	-\$7.73	
						Repayment	N	

# PFML Income Report

## PFML Income Report for 2022

Group Name: ABC Company and Group Id: 88894023

This information is for your use in preparing tax forms for the Employees you are responsible for reporting. You may access the year end tax reporting booklet online at [www.standard.com/eforms/22553.pdf](http://www.standard.com/eforms/22553.pdf) or receive a hardcopy version by calling 800.525.3973.

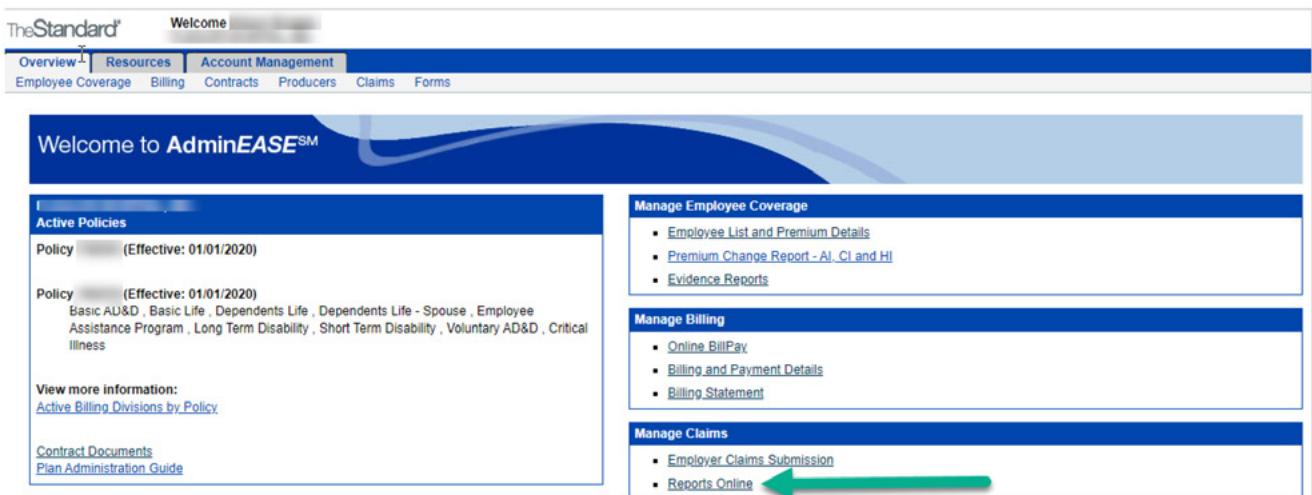
Repayment and Total Offset Adj. Amount data appear on the report as they impact the amount that is reported on the W-2.

Tax rates used: EE SS 6.20%, ER SS 6.20%, EE MED 1.45%, ER MED 1.45%

Policy No: 207760				
Member Name/ Payee Name	Member SSN/ ITIN/EIN	Claim No.	State	Tax Statement Preparer
Miller, Johnson	XXX-XX-6211	AC-21-252169	WA	Standard
	Gross Benefits Issued	\$500.00	EE Social Security	\$31.00
	Repayments	\$0.00	EE Medicare	\$7.25
	Total Offset Adj. Amount	\$0.00	Federal Withholding	\$0.00
	Adj. Net Benefit Amt.	\$500.00	State Withholding	\$0.00
	Adj. Taxable Benefit	\$500.00	Taxable %	100%
	State Wages	\$500.00	ER Social Security	\$31.0
	SS Wage Amt.	\$500.00	ER Medicare	\$7.25
	Medicare Wage Amt.	\$500.00	ER Reimbursement	N

## Accessing reports in AdminEase:

1. Log into AdminEase and select “Reports Online”



2. Select Disability / PFML product from drop down:



3. There are different reports available for Disability and PFML products

- Both the Disability & PFML reports are available to download on PDF or excel format.
- For Disability products there are two reports that provide FICA information
  - o For ASO groups the “STD Claims Run & FICA Report”

Claim Status Reports (Updated Daily)	
<b>Report</b>	<b>Download</b>
<a href="#">Claim Status (STD)</a> - Lists all incomplete, pending and active STD claims as well as all STD claims denied or closed within the last 90 days.	DOWNLOAD
<a href="#">Most Recent Checks (STD)</a> - Displays a record of all STD benefit checks issued within the last 90 days.	DOWNLOAD

ASO Paid Claim & FICA Report (Updated Monthly)	
<b>Report</b>	<b>Download</b>
<a href="#">STD Claims Run and FICA Report</a> - Details claim status, paid amounts, activity dates for ASO STD claims in monthly views.	DOWNLOAD

Paid Claim Reports (Updated Daily)	
<b>Report</b>	<b>Download</b>
<a href="#">Claims To Pay(STD)</a> - Lists all active claims and the time period for which benefits are due	DOWNLOAD

- o For fully insured groups the “Payment Detail (STD)” report

Paid Claim Reports (Updated Daily)	
<b>Report</b>	<b>Download</b>
<a href="#">Claims To Pay(STD)</a> - Lists all active claims and the time period for which benefits are due.	DOWNLOAD
<a href="#">Claims in Non-Payment Status(STD)</a> - Details denied, incomplete, pending and suspended claims.	DOWNLOAD
<a href="#">Payment Detail(STD)</a> - Shows payment details for each employee during the specified period.	DOWNLOAD

- For PFML products there are 3 tax reports available

PFML Tax Reports	
<b>Report</b>	<b>Download</b>
<a href="#">FICA Report (PFML)</a> - Shows PFML/PFL Cumulative FICA Tax Activity.	DOWNLOAD
<a href="#">Monthly Group Activity (PFML)</a> - Shows PFML/PFL Monthly Group Activity.	DOWNLOAD

## Give Us A Call

If you have questions concerning the taxation of Income Replacement benefits, contact The Standard's Tax Hotline at 800.525.3973.



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