

W-2 Issue

For wages paid after calendar year 2025, P.L. 119-21 increases the wage reporting threshold from \$600 to \$2,000 if no federal income, social security, or Medicare tax was withheld.

Yes. For wages paid after December 31, 2025, **P.L. 119-21** amended the Form W-2 reporting rules by increasing the general wage reporting threshold from **\$600 to \$2,000** in situations where **no federal income tax, Social Security tax, or Medicare tax was withheld**.

Practical Effect

For wages paid in **2026 and later years**:

- **Form W-2 is required** if:
 - o Federal income tax was withheld, regardless of the amount paid.
 - o Social Security or Medicare tax was withheld, regardless of the amount paid.
 - o The wages are **\$2,000 or more** when no withholding occurred.
- **Form W-2 generally is not required** solely because wages were paid if:
 - o Total wages are **less than \$2,000**, and
 - o No federal income, Social Security, or Medicare tax was withheld.

Example

If an employee receives **\$1,500** in 2026 and no federal income tax, Social Security tax, or Medicare tax is withheld, a Form W-2 is generally not required solely under the wage threshold rule. If the employee receives **\$2,000 or more**, the reporting threshold is met and a Form W-2 must be filed.

Tax Professional Note

This change primarily affects **low-dollar compensation arrangements** where withholding is not required (for example, certain household, agricultural, or other special-category employment situations). It does **not** eliminate W-2 reporting where federal income tax, Social Security tax, or Medicare tax has been withheld.

The \$2,000 amount is also subject to **future inflation adjustments** beginning after 2026.