



The Year-End W-2 Tie-Out

Before a single W-2 goes out, the payroll register, the four quarterly Forms 941, the W-2s and W-3, the state reconciliations and Form 940 should all tell the same story. When they don't, the IRS and SSA compare them for you, and the notices arrive months later. Catch it in January instead. The spreadsheet does the math. AI does the mapping and the explaining. A person reviews.

1. Exports

W-2 preview, the four 941s, register totals, state returns, Form 940.

2. AI maps

Your provider's layout into the workbook's columns.

3. Formulas check

941s to W-2s, register to 941s, every employee's W-2.

4. AI explains

A one-page exceptions memo.

5. Person fixes

Corrects the W-2s or files a 941-X, then signs off.

What ties to what

Item	Forms 941 (sum of four quarters)	W-3 (sum of all W-2s)
Wages, tips, other compensation	Line 2	Box 1
Federal income tax withheld	Line 3	Box 2
Social Security wages / tips	Lines 5a / 5b, column 1	Boxes 3 / 7
Medicare wages and tips	Line 5c, column 1	Box 5
Social Security tax	Lines 5a + 5b, column 2	About twice box 4 (941 includes the employer share)
Medicare tax	Lines 5c + 5d, column 2	About twice box 6, less Additional Medicare (employee only)

Also: each state's annual reconciliation return against boxes 16 and 17 for that state, and Form 940 line 7 (taxable FUTA wages) against the first \$7,000 per employee from the register.

The checks on every W-2

- ☐ **Box 3 is no more than the Social Security wage base** (\$184,500 for 2026), and box 4 is 6.2% of box 3. Withholding past the base usually means a mid-year payroll system change or an acquisition that restarted the year-to-date totals.
- ☐ **Box 6 is 1.45% of box 5, plus 0.9% of wages over \$200,000.** Additional Medicare is employee-only and starts the payday wages pass \$200,000.
- ☐ **Box 5 less box 1 equals the deferrals in box 12** (code D for 401(k), plus E, G or S). Section 125 deductions reduce boxes 1, 3 and 5 alike, so they don't explain a gap.
- ☐ **Every W-2 has a work state**, and anyone with wages but no federal withholding has a W-4 on file that supports it.

Fix it before it's filed. A difference found in January is a correction in the payroll system, or a Form 941-X for one quarter. The same difference found after filing means W-2c forms to employees, a corrected W-3, and a mismatch notice to answer. The tie-out takes an hour; the cleanup takes weeks.

The calendar for 2026 W-2s

Step	When
Confirm employee names and SSNs match SSA records (in the payroll system)	November
Add taxable fringe benefits before the last payroll	Mid-December
Run the tie-out on the W-2 preview; fix differences	Early January
W-2s to employees; W-2 Copy A and W-3 to the SSA	February 1, 2027
Form 941 for Q4 and Form 940	February 1, 2027 (February 10 if every deposit was on time)
State annual reconciliations	Varies by state; many are January 31

January 31, 2027 is a Sunday, so the deadlines move to Monday, February 1. Sources: IRS Topic 759; IRS year-end reporting guidance; Instructions for Form 941.

Where AI fits, and where it doesn't

1. **AI maps the exports.** Every payroll provider lays out its W-2 preview and 941 reports differently; AI turns them into the workbook's columns and lists anything it can't place.
2. **Formulas do every check.** The AI never adds, multiplies or decides whether something ties.
3. **AI drafts the exceptions memo**, for example: *"Q3 Form 941 reported \$1,250 less federal withholding than the register and the W-2s; consider Form 941-X. E107's box 6 is missing \$135 of Additional Medicare. E109 has no work state."*
4. **A person reviews**, makes the corrections with the payroll provider and signs off before anything is filed.

What never goes into an AI tool

Social Security numbers, home addresses, dates of birth and bank details. Export the W-2 preview with an employee ID, name, work state and the dollar boxes only. The tie-out doesn't need anything else.

The free W-2 Year-End Tie-Out workbook and the prompt are at cforesource.ai/library/w-2-year-end-tie-out. Free weekly newsletter: cforesource.ai/subscribe.

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