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Directive 07-2: Requirements for Employers Filing 2006 and Subsequent Year-end Withholding Information

(This Directive Repeals Directive 97-1)

Introduction

This Directive describes the proper formats for employers to use in filing their year-end W-2 and income tax withholding reconciliation schedules with the Department of Revenue (Department). This Directive re-establishes a requirement, suspended by Directive 97-1, that employers not filing in a machine-readable form must file the W-2 and annual reconciliation information on paper. It also changes the threshold above which employers must file in a machine-readable form.

Issue 1

Which employers must file annual paper Forms W-2 and income tax withholding reconciliation schedules with the Department?

Directive 1

Employers that are below the filing threshold for filing Forms W-2 in a machine-readable form must file this year-end information with the Department of Revenue, for tax year 2006 and subsequent years. The Department prefers to receive such information in a machine-readable form, but if the employer is below the threshold for filing in a machine-readable form (see Directive 2, below) and chooses not to use machine-readable means, the employer must file this information on paper forms prescribed by the Commissioner.

Discussion

Directive 97-1, which eliminated the Department's filing requirement for employers below the threshold for filing in a machine-readable form, is hereby repealed. As a result, all employers, including those below the machine-readable filing threshold, must file W-2 information with the Department. The machine-readable threshold is lowered for tax years after 2006; see Directive 2 below. Paper copies of Forms W-2 and Reconciliation Forms [M-3 PDF](#) or [M-3M PDF](#) must be filed on or before February 28th following the close of the calendar year. Reconciliation Forms M-3 and M-3M and filing instructions are available at the Department's website, www.mass.gov/dor or the Department will mail paper copies upon request.

Issue 2

Which employers must file Forms W-2 with the Department in a machine-readable form?

Directive 2

As of tax year 2007, employers filing 50 or more Forms W-2 in a calendar year must file Forms W-2 in a machine-readable form. Employers filing fewer than 50 Forms W-2 may file these forms in a machine-readable form if they choose.

Discussion

The Department has in the past followed the federal threshold established in the Internal Revenue

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Code § 6011(e), limiting requirements for filing on magnetic media or some other machine-readable form to those persons "required to file at least 250 returns during the calendar year." The Commissioner, however, has the authority to require annual reports from entities doing business in the state "in such form as he may from time to time prescribe." G.L. c. 62C, § 8. Changing the machine-readable threshold for Forms W-2 to 50 or more establishes a similar threshold for the W-2 reporting requirement and the wage reporting requirement. Employers filing in a machine-readable form must submit such forms on or before March 31 following the close of the calendar year.

The term "machine-readable form" includes file uploads through WebFile for Business, electronic data transfer, magnetic tape, and cartridge 18-track magnetic media. For 2007 and subsequent tax years, the Department will no longer accept W-2 information on diskette.

/s/Sheila T. LeBlanc

for Alan LeBovidge

Commissioner of Revenue

AL:MTF:lab

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