

DELAWARE DIVISION OF REVENUE

TECHNICAL INFORMATION MEMORANDUM 2006-4

Date: September 15, 2006

Subject: W-2 Electronic/Magnetic Filing

The Delaware Division of Revenue has previously issued memoranda on the subject of magnetic media reporting of W-2 information. The purpose of this memorandum is to advise you of new statutory and technical requirements for electronic/magnetic media filing and the penalties for not following these requirements. This Technical Information Memorandum is effective for the reporting of W-2 information for tax year 2006 and later.

Electronic/Magnetic Filing Requirement

Under § 513(a), Title 30 of the Delaware Code, all employers making annual reports of Delaware income taxes withheld at source (Form W-2) must make such reports electronically provided they are required to file their Federal Form W-2 report electronically with the Social Security Administration. However, employers not required to file their Federal Form W-2 report electronically with the Social Security Administration are encouraged to report to the Delaware Division of Revenue electronically or on magnetic media, but must at least report by means of paper filings.

Media and data format specifications

W-2 data submitted to the Delaware Division of Revenue must conform to the current version of the Social Security Administration's MMREF-1 specifications for media and data format, except as noted below. As of the date of this memorandum, that specification was available online at <http://www.ssa.gov/employer/pub>; if a more current specification exists it should be used. *Data submitted in the TIB-4 format will be rejected.*

Exceptions to the MMREF-1 specifications for media and data format:

1. Data can be submitted on CD-ROM (readable on a standard Windows PC), in addition, the Division of Revenue will accept 3 ½ inch diskettes, tape reels and cartridges).
2. Compressed or encrypted data files on media of any type will **not** be processed. Online Internet submissions will allow for both compressed and secure encrypted transmission of data.

3. Multiple-volume files, or multiple files on a single volume, are not supported on media of any type. Each volume submitted must contain one, and only one, valid MMREF-1 data file (including RA, RE, RS, and RF records). **No** additional files should be included on any media, just a single MMREF-1 data file.
4. RW and RT records are optional. (RW, RO, RT, and RU records will be ignored if present.)
5. RS records are required for all employees with Delaware withholding, and must include the following:
 - Social Security Number
 - Name and address
 - City, state and zip code
 - Delaware wages and withholding
 - Numeric state code (“10” for Delaware)Other fields in the state record may be left blank or zero-filled. Only employers with Delaware wages or withholding should be reported. (RA, RE, RS, and RF records are required).
6. The RF record serves only as an end-of-file marker; the data fields in the RF record are ignored. The RF record should be a full 512 bytes long.
7. An employer’s Delaware ID number is the same as its Federal employer ID.

Labels

All media should have external labels with the following information:

- “TY__DE W-2 DATA” (fill in the blank with the tax year)
- Submitter (company) name
- Contact name and mailing address
- Contact phone number
- Contact e-mail address (if available)
- Inventory number (your tape number or other volume identifier, if available)

Filing

The media described in the Technical Information Memorandum accompanied by Delaware Form W-3 (Reconciliation of Delaware Income Tax Withheld) or Form W-3A/W-2 (Transmittal of Delaware Income Tax Withheld), should be addressed to the State of Delaware, Division of Revenue, 820 North French Street, Wilmington, DE 19801. As of the date of this memorandum, the location of these forms is http://www.state.de.us/revenue/services/Business_Tax/Forms.shtml. This address is subject to change.

Electronic filing is done using the Division of Revenue Internet website. As of the date of this memorandum, the location is <http://www.state.de.us/revenue> and then looking at Services for Business Taxpayers. This address is subject to change.

The due date for electronic/magnetic filing is March 1. The due date may be extended by request to the Director of Revenue showing that, unless extended, electronic/magnetic filing will represent an undue hardship to the reporting entity.

Penalty

Under §534(f), Title 30 of the Delaware Code, failure to file information returns electronically or on magnetic media by the prescribed due date, failure to include all the information required to be shown on the return or failure to provide correct information, can result in assessment of a penalty of one-half the amount specified in the Internal Revenue Code for such failure in the case of federal returns. The maximum penalty for failure to meet the requirements set forth in this Memorandum is \$125,000.

Testing

The Delaware Division of Revenue does not have facilities for processing test W-2 data submitted on magnetic media. The Social Security Administration provides software which will read MMREF-1 data files and identify some problems; see <http://www.ssa.gov/employer/accuwage/index.html>. This address is subject to change.

The online system for internet filing will allow you to submit files for testing prior to the actual submission for filing. Results of the test will be sent via email.

Corrections and Replacements

Corrections via MMREF-2 are **not** supported. A full replacement of a W-2 submission can be accepted; contact David Smith (contact information below) for instructions.

Contacts

If you have questions concerning withholding filing requirements, please contact the Public Service Section at (302) 577-8200.

If you have questions concerning media or data format specifications, please contact David Smith at david.g.smith@state.de.us or (302) 323-5300 extension 3027.

Patrick Carter
Director of Revenue