

**Social Security and Medicare Tax
 on Unreported Tip Income**

▶ See instructions below and on back.
 ▶ Attach to Form 1040, Form 1040NR, Form 1040NR-EZ, Form 1040-SS, or Form 1040-PR.

| | | | | | |
|---|--|---|--|-----------|--|
| Name of person who received tips. If married, complete a separate Form 4137 for each spouse with unreported tips. | | | Social security number | | |
| 1 | (a) Name of employer to whom you were required to, but did not report all your tips (see instructions) | (b) Employer identification number (see instructions) | (c) Total cash and charge tips you received (including unreported tips) (see instructions) | | (d) Total cash and charge tips you reported to your employer |
| A | | | | | |
| B | | | | | |
| C | | | | | |
| D | | | | | |
| E | | | | | |
| 2 | Total cash and charge tips you received in 2007. Add the amounts from line 1, column (c) | | 2 | | |
| 3 | Total cash and charge tips you reported to your employer(s) in 2007. Add the amounts from line 1, column (d) | | | 3 | |
| 4 | Subtract line 3 from line 2. This amount is income you must include in the total on Form 1040, line 7, Form 1040NR, line 8, or Form 1040NR-EZ, line 3 | | | 4 | |
| 5 | Cash and charge tips you received but did not report to your employer because the total was less than \$20 in a calendar month (see instructions) | | | 5 | |
| 6 | Unreported tips subject to Medicare tax. Subtract line 5 from line 4 | | | 6 | |
| 7 | Maximum amount of wages (including tips) subject to social security tax | | 7 | 97,500 | 00 |
| 8 | Total social security wages and social security tips (total of boxes 3 and 7 shown on your Form(s) W-2) or railroad retirement (tier 1) compensation | | 8 | | |
| 9 | Subtract line 8 from line 7. If line 8 is more than line 7, enter -0- here and on line 10 and go to line 12 | | | 9 | |
| 10 | Unreported tips subject to social security tax. Enter the smaller of line 6 or line 9. If you received tips as a federal, state, or local government employee, see instructions | | | 10 | |
| 11 | Multiply line 10 by .062 (social security tax rate) | | | 11 | |
| 12 | Multiply line 6 by .0145 (Medicare tax rate) | | | 12 | |
| 13 | Add lines 11 and 12. Enter the result here and on Form 1040, line 59, Form 1040NR, line 54, or Form 1040NR-EZ, line 16 | | | 13 | |

General Instructions

What's new.

- For 2007, the maximum amount of wages and tips subject to social security tax is \$97,500.
- You are now required to report the employer identification number and tip information that applies to each employer named on line 1. See the instructions for line 1.
- Schedule U has been eliminated. The information relating to your social security record (used to figure your benefits) is based on the information shown on Form 4137.

Purpose of form. Use Form 4137 **only** to figure the social security and Medicare tax owed on tips you did not report to your employer, including any allocated tips shown on your Form(s) W-2 that you must report as income. You must also report the income on Form 1040, line 7, Form 1040NR, line 8, or Form 1040NR-EZ, line 3.



If you believe you are an employee and you received Form 1099-MISC, Miscellaneous Income, instead of Form W-2, Wage and Tax Statement, because your employer did not consider you an employee, do not use Form 4137. Instead, use Form 8919, Uncollected Social Security and Medicare Taxes on Wages.

Who must file. You must file Form 4137 if you received cash and charge tips of \$20 or more in a calendar month and did not report all of those tips to your employer. You must also file Form 4137 if box 8 of your Form(s) W-2 shows allocated tips that you must report as income.

Allocated tips. You must report as income on Form 1040, line 7, or Form 1040NR, line 8, or Form 1040NR-EZ, line 3, at least the amount of allocated tips shown in box 8 of your Form(s) W-2 unless you can prove a smaller amount with adequate records. If you have records that show the actual amount of tips you received, report that amount even if it is more or less than the allocated tips. Although allocated tips

are shown on your Form W-2, they are not included in the wages, tips, and other compensation box (box 1) on that form and no income tax, social security tax, or Medicare tax has been withheld from these tips.

Tips you must report to your employer. You must give your employer a written report of cash and charge tips if you received \$20 or more in tips during a month. If, in any month, you worked for two or more employers and received tips while working for each, the \$20 rule applies separately to the tips you received while working for each employer and not to the total you received. You must report your tips to your employers by the 10th day of the month following the month you received them. If the 10th day of the month falls on a Saturday, Sunday, or legal holiday, give your employer the report by the next business day.

Employees subject to the Railroad Retirement Tax Act.

Do not use Form 4137 to report tips received for work covered by the Railroad Retirement Tax Act. In order to get railroad retirement credit, you must report these tips to your employer.

Payment of tax. Tips you reported to your employer are subject to social security and Medicare tax (or railroad retirement tax) and income tax withholding. Your employer collects these taxes from wages (excluding tips) or other funds of yours available to cover them. If your wages were not enough to cover these taxes, you may have given your employer the additional amounts needed. Your Form W-2 will include the tips you reported to your employer and the taxes withheld. If there was not enough money to cover the social security and Medicare tax (or railroad retirement tax), your Form W-2 will also show the tax due in box 12 under codes A and B. See the instructions for line 63 of Form 1040, or line 58 of Form 1040NR, to find out how to report the tax due. If you worked in American Samoa, Guam, Puerto Rico, or the U.S. Virgin Islands, the amount of uncollected tax due should be identified with codes A and B in box 12 of Form W-2AS, W-2GU, or W-2VI; or entered in boxes 22 and 23 of Form 499R-2/W-2PR. See the instructions for line 5 of Form 1040-PR or 1040-SS to find out how to report the tax due.

Penalty for not reporting tips. If you did not report tips to your employer as required, you may be charged a penalty equal to 50% of the social security and Medicare tax due on those tips. You can avoid this penalty if you can show reasonable cause for not reporting these tips to your employer. To do so, attach a statement to your return explaining why you did not report them.

Additional information. See Pub. 531, Reporting Tip Income.

Specific Instructions

Line 1. Complete a separate line for each employer. If you had more than 5 employers in 2007, attach a statement that contains all of the information (and in a similar format) as required on Form 4137, line 1, or complete and attach line 1 of additional Form(s) 4137. Complete lines 2 through 13 on only one Form 4137. The line 2 and line 3 amounts on that Form 4137 should be the combined totals of all your Forms 4137 and attached statement.

Column (a). Enter your employer's name exactly as it is entered in box c of your Form W-2.

Column (b). For each employer's name you entered in column (a) enter the employer identification number or the words "applied for" exactly as shown in box b of your Form W-2.

Column (c). Include all cash and charge tips you received. This includes the following:

- Total tips you reported to your employer. Tips you reported, as required, by the 10th day of the month following the month you received them are considered income in the month you reported them. For example, tips you received in December 2006 that you reported to your employer after December 31, 2006, and before January 11, 2007, are considered income in 2007 and should be included on your 2007 Form W-2 and reported on line 1 of Form 4137. However, tips you received in December 2007 that you reported to your employer after December 31, 2007, and before January 11, 2008, are considered income in 2008. Do not include these tips on line 1.
- Tips you did not report to your employer on time or did not report at all. These tips are considered income to you in the month you actually received them. For example, tips you received in December 2007 that you reported to your employer after January 10, 2008, are considered income in 2007 because you did not report them to your employer on time.
- Tips you received that you were not required to report to your employer because they totaled less than \$20 during the month.
- Allocated tips you must report as income (see page 1).

Line 5. Enter only the tips you were not required to report to your employer because the total received was less than \$20 in a calendar month. These tips are not subject to social security and Medicare tax.

Line 10. If line 6 includes tips you received for work you did as a federal, state, or local government employee and your pay was subject only to the 1.45% Medicare tax, subtract the amount of those tips from the line 6 amount only for the purpose of comparing lines 6 and 9. Do not reduce the actual entry on line 6. Enter "1.45% tips" and the amount you subtracted on the dotted line next to line 10.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Internal Revenue Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For the estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.