

# Social Security and Medicare Tax on Unreported Tip Income

▶ See instructions on back.  
▶ Attach to Form 1040.

Name of person who received tips (as shown on Form 1040). If married, complete a separate Form 4137 for each spouse with unreported tips.

**Social security number**  
:  
:  
:

Name(s) of employer(s) to whom you were required to, but did not, report your tips:  
.....  
.....

|  |    |        |    |
|--|----|--------|----|
| 1 Total cash and charge tips you <b>received</b> in 2001. See instructions . . . . .   | 1  |        |    |
| 2 Total cash and charge tips you <b>reported</b> to your employer in 2001 . . . . .  | 2  |        |    |
| 3 Subtract line 2 from line 1. This amount is income you <b>must</b> include in the total on Form 1040, line 7 . . . . .   | 3  |        |    |
| 4 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 . . . . .   | 4  |        |    |
| 5 Unreported tips subject to Medicare tax. Subtract line 4 from line 3. Enter here and on line 2 of Schedule U below . . . . .   | 5  |        |    |
| 6 Maximum amount of wages (including tips) subject to social security tax . . . . .  | 6  | 80,400 | 00 |
| 7 Total social security wages and social security tips (total of boxes 3 and 7 on Form(s) W-2) or railroad retirement (tier 1) compensation . . . . .  | 7  |        |    |
| 8 Subtract line 7 from line 6. If line 7 is more than line 6, enter -0- here and on line 9 and go to line 11   | 8  |        |    |
| 9 Unreported tips subject to social security tax. Compare the amounts on lines 5 and 8 above. Enter the <b>smaller</b> of the two amounts here and on line 1 of Schedule U below. If you received tips as a Federal, state, or local government employee, see instructions . . . . . | 9  |        |    |
| 10 Multiply line 9 by .062 . . . . .   | 10 |        |    |
| 11 Multiply line 5 by .0145. . . . .   | 11 |        |    |
| 12 Add lines 10 and 11. Enter the result here and on Form 1040, line 54 . . . . . ▶  | 12 |        |    |

For Paperwork Reduction Act Notice, see instructions on back.

Form **4137** (2001)

Do Not Detach

## SCHEDULE U (Form 1040)

Department of the Treasury  
Internal Revenue Service

# U.S. Schedule of Unreported Tip Income

For crediting to your social security record

**Note:** The amounts you report below are for your social security record. This record is used to figure any benefits, based on your earnings, payable to you and your dependents or your survivors. Fill in each item accurately and completely.

Print or type name of person who received tip income (as shown on Form 1040)

**Social security number**  
:  
:  
:

Address (number, street, and apt. no., or P.O. box if mail is not delivered to your home)

Occupation

City, town or post office, state, and ZIP code

|  |   |  |  |
|--|---|--|--|
| 1 Unreported tips subject to social security tax. Enter the amount from line 9 (Form 4137) above . ▶ | 1 |  |  |
| 2 Unreported tips subject to Medicare tax. Enter the amount from line 5 (Form 4137) above . . . ▶    | 2 |  |  |

**Please do not write in this space**

DLN—

## General Instructions

**A change to note.** For 2001, the maximum amount of wages and tips subject to social security tax is \$80,400.

**Purpose of form.** Use Form 4137 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. Also, use Form 4137 to figure the social security and Medicare tips to be credited to your social security record.

**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.** You must report as income on Form 1040, line 7, 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 58 of Form 1040 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.** Include all cash and charge tips received. This includes the following:

- Total tips that 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 2000 that you reported to your employer after December 31, 2000, and before January 11, 2001, are considered income in 2001 and should be included on your 2001 Form W-2 and reported on line 1 of Form 4137. However, tips you received in December 2001 that you reported to your employer after December 31, 2001, and before January 11, 2002, are considered income in 2002. 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 2001 that you reported to your employer after January 10, 2002, are considered income in 2001 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 that you must report as income.

**Line 4.** 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 9.** If line 5 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 5 amount only for the purpose of comparing lines 5 and 8. Do not reduce the actual entry on line 5. Enter "1.45% tips" and the amount you subtracted on the dotted line next to line 9.

**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 time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping . . . . . 26 min.
- Learning about the law or the form . . . . . 7 min.
- Preparing the form . . . . . 21 min.
- Copying, assembling, and sending the form to the IRS . . . . . 17 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the Instructions for Form 1040.

