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Labor and Employment Compliance Bulletin



Reminder: W-2 health care reporting requirements

Under the Patient Protection and Affordable Care Act of 2010, employers must report contributions on behalf of the employee to applicable employer-sponsored health plans on the Form W-2. The Internal Revenue Service delayed the requirement to the tax year 2012. That is, W-2s sent to employees in January 2013 for tax year 2012 must meet the requirement.

You may begin with tax year 2011, though you are not required to include this reporting until tax year 2012.

The reporting is informational only and does not make those amounts taxable. You should include the code DD in box 12 with the amount.

Earlier this year in [Notice 2011-28](#), the IRS provided guidance on calculating the reportable cost of health care contributions. (See questions 24 through 27 in the Q&A section.)

- Generally, you may use the COBRA applicable premium method.
- If you offer an insured plan, you may use the premiums charged by the insurer in calculating reportable cost, but you should report only the premium charged by the insurer for that employee's coverage. For example, if the employee has family coverage, only the amount applicable to the employee should be reported.
- If you subsidize the cost of COBRA you may calculate the reportable amount based upon a reasonable good faith estimate of the COBRA applicable premium for that period.

Certain amounts should not be included in the calculation:

- Amounts contributed to an Archer MSA
- Amounts contributed to health savings accounts
- Salary reductions for contributions to flexible spending arrangements
- Contributions to dental or vision coverage not integrated in group health plans
- Any amounts paid for types of insurance which are not excludable from gross income, such as coverage only for disability, workers compensation, automobile medical payment insurance, etc.

Bottom line

Employers should plan ahead to be in compliance with the new reporting requirement and ensure their payroll system is capable of making the calculations in accordance with current guidance.

We anticipate many clients will wish to start complying with the requirement for the current tax year and report health plan benefits on W-2s to be issued in January 2012. The current file format allows compliance. Those clients who wish to include health plan benefits in their next round of W-2s need only provide the necessary information in that file.

To learn more about the W-2 requirement, or to find out about how the TALX W-2 Management service facilitates compliance with the requirement, please contact Melinda Hanson at 314-214-7143 or mhanson@talx.com.