



Form W-2 Reporting

The Affordable Care Act requires employers to report the cost of coverage under an employer-sponsored group health plan, beginning with the 2012 tax year. These are Form W-2's issued in January 2013. Reporting the cost of health care coverage on the Form W-2 does not mean the coverage is taxable. This reporting is for informational purposes only and will provide employees the cost of their health care coverage.

Employers that provide "applicable employer-sponsored coverage" under a group health plan are subject to the reporting requirements. However, for certain employers, types of coverage, and situations, there is transition relief from the requirement to report the value of coverage on the 2012 Form W-2 and for future calendar years until the IRS publishes additional guidance.

Transition relief is also eligible for 1) multiemployer plans, 2) health-reimbursement arrangements, 3) dental and vision plans that are separately insured or dental and vision plans that give participants the choice of declining or electing coverage and paying an additional premium for that coverage, 4) self-insured plans of employers not subject to COBRA, 5) employee assistance programs, on-site medical clinics, or wellness programs for which the employer doesn't charge a premium under COBRA, 6) employers furnishing Forms W-2 to employees who terminate before end of a calendar year and request a Form W-2 before the end of the year, as this must be provided within 30 days if the request is written.

The methods used to calculate the cost of coverage must be consistent and reasonable. The IRS will publish guidance at least six months in advance of any change to the transitional relief and it will only apply prospectively. The employer is not required to issue a Form W-2 solely to report the value of the health care coverage for retirees or other employees to whom the employer would not otherwise provide a Form W-2. The amount reported should include both the employer portion and portion paid by the employee.

If an employer sends out over 250 Form W-2s or additional guidance is issued by the IRS, an employer will be required to report Employer-Sponsored Health Coverage on the Form W-2, Box 12, and Code DD for the preceding year. In order to do this, the employer will be required to communicate the reportable costs per person to their payroll processors. This communication would be completed on an annual basis.

An employer may use three different methods when determining what to report on the W-2:

- 1) An employer may calculate the reportable cost under a plan using the COBRA applicable premium method. The reportable cost using this method equals the COBRA applicable premium for that coverage for that period.
- 2) The premium charged method may be used to determine the reportable cost only for an employee covered by an employer's insured group health plan. Employer must use the premium charged by the insurer for that employee's coverage.
- 3) The modified COBRA premium method may be used only when a plan subsidizes the cost of COBRA.

Information for these methods may be based on information available as of December 31. Therefore, any election or notification that is made or provided in the subsequent calendar year that has a retroactive effect on coverage in the earlier year is not required to be included in the calculation.

The employer would also be required to report the Flexible Savings Accounts (FSA) amounts that are provided by the employer. The employee piece that is deducted from the employee's paycheck would not be included. Until further guidance is issued by the IRS, it is also optional to include the HRA amounts the employer contributes.

Employers would need to track any wellness programs, Employee Assistance Plans (EAP), or On-Site Medical clinics that provide applicable employer-sponsored healthcare coverage. Such coverage is not reportable if the employer does not charge a premium for that coverage for purposes of COBRA or other federally required continuation coverage.

For further guidance go to: <http://www.irs.gov/uac/Form-W-2-Reporting-of-Employer-Sponsored-Health-Coverage>