

## Reporting the Cost of Health Care Coverage on W-2s Forms

<p><b>Who needs to start reporting this information and when?</b></p>	<p><b>Large employers</b> (those employers filing more than 250 W-2's) will be subject to this reporting beginning in calendar year 2012 (with the first reporting due in January 2013).</p> <p><b>Smaller employers</b> (those filing fewer than 250 W-2's) will not be required to report until further guidance is provided.</p> <p>In addition, until the IRS publishes further guidance, certain other plans (including multiemployer plans and self-insured plans not subject to COBRA) will not be required to comply with the W-2 reporting requirement.</p>
<p><b>What needs to be reported?</b></p>	<p>The Patient Protection and Affordable Care Act (PPACA) requires employers to report the value of employer-sponsored health coverage on employees' W-2 Forms.</p>
<p><b>What is the cost or premium amount to be reported on the W-2?</b></p>	<p><b>Self-Insured groups:</b> The cost of coverage will be equal to the COBRA rate less any 2 percent administrative charge, for the plan and level of coverage in which the employee participates.</p> <p><b>Fully-Insured groups:</b> The total insurance premium for the plan and level of coverage in which the employee participates.</p> <p>The "cost of coverage" or "total insurance premium" referenced above include both the employer and employee contributions to the premium for whatever level of coverage applies (i.e., employee only, employee plus spouse, etc.). The employee contribution is included whether it is paid on a pre-tax or post-tax basis. It also includes any income imputed to the employee as the result of domestic partner coverage.</p>
<p><b>What types of coverage or benefits need to be included?</b></p>	<p>Employer sponsored group health plans only. The reporting does not include free standing dental or vision plans, contributions to Health Savings Accounts (HSAs), Health Reimbursement Arrangements (HRAs), or employee contributions to Flexible Spending Accounts (FSAs). If the employer matches contributions to the HSA the employer-provided portion of the benefit may be required to be included in the cost of coverage reported on the W-2.</p>
<p><b>Do I need to provide the W-2 during 2012 to terminated employees?</b></p>	<p>IRS regulations (see Treasury Regulations 31.6051-1(d)(1)(i)) permit an employee to request a W-2 in advance of the normal January processing time. However, for any former employee who requests a W-2 mid-year, the employer is not required to report the cost of health coverage on the employee's W-2.</p>
<p><b>Where can I get more information?</b></p>	<p>See the following Q&amp;A on the IRS website:  <a href="http://www.irs.gov/newsroom/article/0,,id=237894,00.html">http://www.irs.gov/newsroom/article/0,,id=237894,00.html</a></p>

Sources:

IRS, Notice 2011-28, Interim Guidance on Informational Reporting to Employees of the Cost of Their Group Health Insurance Coverage

VedderPrice, Employee Benefits Briefing, "Reporting the Cost of Health Care Coverage: More for the W-2", April 19, 2011



*As always, please note that EBS is sharing this information to assist you with your compliance planning. We recommend that you contact your legal counsel r accountant with specific questions relating to the law, and how it might affect individuals covered under your plan.*