

January 2014

How to Report Employer Sponsored Health Coverage on the Form W-2

Employers who provide applicable employer sponsored coverage under a group health plan are subject to new reporting requirements.

The Affordable Care Act requires employers to report the cost of coverage under an employer sponsored group plan. This reporting does not necessarily mean that the coverage is taxable income to the employee. Under current law, the value of the employer's excludable contribution to health coverage continues to be non-taxable.

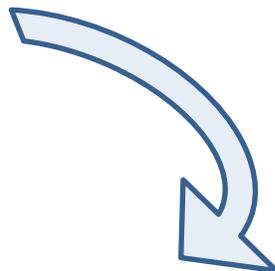
Pretty much every business type is included under the rule. This includes for-profit, tax exempt, and federal, state and local government entities. The new rule *does not* include plans maintained primarily for members of the military and their families. Also, federally recognized Indian tribal governments are not subject to the rule.

The purpose of the reporting is to provide the information to the IRS for the purpose of matching applicants for coverage under the exchanges to their eligibility and for calculating penalties to employers who do not provide appropriate coverage.

The value of the health coverage is reported in Box 12 of Form W-2 with Code DD to identify the amount. Employers do not report these amounts on Form W-3. As a general rule, the amount reported should include the amount paid by the employer and the amount paid by the employee.

An employer is not required to issue a Form W-2 only to report the value of health care coverage for retirees, former employees, or other employees for whom the employer would not otherwise provide a Form W-2.

The Chart on the next page will help illustrate some aspects of the reporting requirements.



FORM W-2 REPORTING OF EMPLOYER SPONSORED HEALTH COVERAGE

Coverage Type	Report	Do Not Report	Optional
Dental or Vision plan not integrated into another medical or health plan			X
Major medical	X		
Dental or vision plan which gives the choice of declining or electing and paying an additional premium			X
Health Flexible Spending Arrangement funded solely by salary reduction amounts		X	
Health FSA Value for the plan year in excess of the employer's cafeteria plan salary reductions for all qualified benefits	X		
Health Reimbursement Arrangement Contributions			X
Health Savings Arrangement Contributions (employer or employee)		X	
Archer Medical Savings Account contributions (employer or employee)		X	
Hospital Indemnity or specified illness (insured or self-funded) paid on an after tax basis		X	
Hospital indemnity or specified illness (insured or self-funded) paid through salary reduction (pretax) or by employer	X		
Employee Assistance Plan providing applicable employer sponsored healthcare coverage	Required if employer charges a COBRA premium		Optional if employer does not charge a COBRA premium
On site medical clinics providing applicable employer sponsored healthcare coverage	Required if employer charges a COBRA premium		Optional if employer does not charge a COBRA premium
Wellness programs providing applicable employer sponsored healthcare coverage	Required if employer charges a COBRA premium		Optional if employer does not charge a COBRA premium
Multi-employer plans			X
Domestic partner coverage included in gross income	X		
Governmental plans providing coverage primarily for members of the military and their families		X	
Federally recognized Indian tribal government plans and plans of tribally chartered corporations wholly owned by a federally recognized Indian tribal government		X	
Self-funded plans not subject to federal COBRA			X
Accident or disability income		X	
Long term care		X	
Liability insurance		X	
Supplemental Liability Insurance		X	
Workers' Compensation		X	
Automobile Medical Payment Insurance		X	
Credit only insurance		X	
Excess reimbursement to highly compensated individual, included in gross income		X	
Payment/Reimbursement of health insurance premiums for 2% shareholder-employee, included in gross income		X	
Employers required to file fewer than 250 Forms W-2 for the preceding calendar year (determined without application of any entity aggregation rules for related employers)			X
Forms W-2 furnished to employees who terminate before the end of a calendar year and request, in writing, a Form W-2 before the end of that year			X
Forms W-2 provided by third party sick pay provider to employees of other employers			X

The information in this memo is to illustrate general principles only and is not intended as legal or tax advice or opinion. You should discuss your circumstances with a qualified professional before taking any action. In some jurisdictions, this memo may be viewed as attorney advertising.