



# New Form W-2 Health Coverage Reporting Requirements

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# Discussion Outline

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- ▶ Overview of Form W-2 health coverage reporting requirements (including new guidance- Notice 2012-9)
  - ▶ Who has to file?
  - ▶ When do I have to file?
  - ▶ What do I have to report?
  - ▶ How do I calculate the reported amount?
  - ▶ Where do I report it?
- ▶ Frequently asked questions

# Overview of PPACA's Form W-2 Reporting Requirement

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- ▶ The Patient Protection and Affordable Care Act (PPACA) requires employers to report the value of group health plan coverage on the Form W-2. The IRS issued guidance making reporting voluntary in 2011.
- ▶ Employers will be required to include the value of the coverage on W-2s issued after 1/1/2013.
- ▶ The new reporting requirements do not change the tax treatment of employer-provided health coverage. The reporting is for informational purposes only.

# When to Report

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## ▶ Reporting is Mandatory for 2012

- ▶ All Form W-2s issued after 1/1/2013 must include new health coverage reporting
- ▶ Employers must begin collecting information in 2012
- ▶ Reporting is optional for 2011

FAQ: What if an employee terminates in 2012 and requests an early W-2?

Answer: IRS guidance makes an exception for early terminations. No mid-year reporting is required prior to 1/1/2013.

# Who Has to Report

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- ▶ Applies to all employers that provide “applicable employer sponsored coverage”
- ▶ This means you:
  - ▶ All private-sector employers
  - ▶ Union plans (multiemployer coverage optional)
  - ▶ Federal, state, and local governments
  - ▶ Churches and religious organizations
  - ▶ Employers exempt from COBRA (except for self-funded COBRA exempt plans)
- ▶ Exemptions for:
  - ▶ Indian tribal governments
  - ▶ Transition-eligible small employers

# Who Has to Report: Small Employer Exception

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## ▶ Small Employer Exception

- ▶ Employers issuing fewer than 250 Forms W-2 in the preceding calendar year are exempt from the reporting requirement.
- ▶ May be on an entity rather than control group basis
- ▶ Note- this is not the total number of employees, but the total number for Forms W-2

FAQ: I own a small resort. I rarely have more than 125 employees, but I have high seasonal turn-over. Many of my employees are part-time. Do I have to report?

Answer: Possibly. You count all Forms W-2 issued over the previous year for full and part-time employees. If over the course of a year you have 250 or more (including mid-year terminations) you will be required to report.

# What to Report

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- ▶ Employers are required to report the value of all “applicable employer-sponsored coverage”
  - ▶ Generally, group health plans, including:
    - ▶ Major medical
    - ▶ Mini-meds
    - ▶ On-site medical clinics
    - ▶ Medicare supplemental coverage
    - ▶ Health FSA contributions (employer)
    - ▶ Employee assistance & wellness programs (with separate COBRA rates)
  - ▶ Optional Reporting
    - ▶ IRS guidance permits employers to report the cost of coverage that is not required to be reported (e.g. multiemployer, HRA) if reported coverage is otherwise applicable employer sponsored coverage

# What Not to Report

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- ▶ Excluded from reporting:
  - ▶ Self-insured coverage not subject to COBRA
  - ▶ Long-term Care
  - ▶ “Non-integrated” dental and vision
  - ▶ Employee FSA contributions
  - ▶ Health Savings Accounts (employer & employee contributions)
  - ▶ Health Reimbursement Arrangements (HRA)
  - ▶ Accident, disability & AD&D
  - ▶ Workers Comp
  - ▶ Automotive medical payments
  - ▶ Military coverage
  - ▶ Employer contributions to a multi-employer plan
  - ▶ HIPAA Excepted paid on after-tax basis
    - ▶ E.g. fixed indemnity, specified disease or illness
  - ▶ Multiemployer coverage
  - ▶ 3<sup>rd</sup> party sick pay
  - ▶ Reimbursement for premiums S Corp. shareholders



# How to Report: Determining the “Aggregate Cost”

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- ▶ Must report the “aggregate cost”
- ▶ Include pre-tax and post-tax coverage
- ▶ Include employer and employee contributions (e.g. employer premium contribution or employee cafeteria plan contributions)
- ▶ Multiple methodologies for determining aggregate cost.
- ▶ General Rule: Use cost of COBRA premium

# How to Report (cont'd.)

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- ▶ COBRA Applicable Premium Method
- ▶ Premium Charged Method
  - ▶ Fully-insured plans may use total premium cost
- ▶ Modified COBRA
  - ▶ If employer contributes to COBRA coverage, employer may use good faith estimate of COBRA premium

# How to Report (cont'd.)

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- ▶ Change in coverage or cost of coverage must be reflected in calculation
  - ▶ Determine on monthly basis using a reasonable method
  - ▶ May include or exclude cost of continuation coverage
- ▶ Example:

Nancy has self-only coverage for six months at \$300 per month. She gets married and changes to family coverage for the second six months of the year at \$500 per month. To report the cost of coverage the employer should report  $(6 \times \$300) + (6 \times \$500) = \$4800$

# How to Report (cont'd.)

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## ▶ Split Reporting

- ▶ Plans that offer medical benefits that include incidental non-medical benefits (e.g. long-term disability) may use any reasonable allocation method to determine cost of the medical benefits or include the non-medical costs.
- ▶ Plans that offer non-medical benefits that include incidental medical benefits may elect not to include the coverage in their reporting.

## ▶ Composite or Blended rates

- ▶ Employers that charge one composite or blended rate for coverage (e.g. the same rate for self-only, family, self +1 etc.) may use the same reportable cost for individuals covered under the plan.

# Where to Report

- ▶ Use “code DD” in Box 12 of the Form W-2

a Control number		OMB No. 1545-0008		This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.			
b Employer identification number				1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code				3 Social security wages		4 Social security tax withheld	
				5 Medicare wages and tips		6 Medicare tax withheld	
				7 Social security tips		8 Allocated tips	
d Employee's social security number				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial      Last name				11 Nonqualified plans		12a See instructions for box 12	
				13 Statutory employee      Retirement plan      Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b	
				14 Other		12c	
						12d	
f Employee's address and ZIP code							
15 State      Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.	
						19 Local income tax      20 Locality name	



Form **W-2** Wage and Tax Statement

Department of the Treasury—Internal Revenue Service

# Frequently Asked Questions

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- ▶ How do I calculate mid-year terminations?
- ▶ Do I include coverage for domestic-partners and step-children?
- ▶ What if I don't have a calendar year plan year?
- ▶ What do I do with retirees?

# Sources of IRS Guidance

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- ▶ Notice 2010-69
- ▶ Notice 2011-28
- ▶ Notice 2012-9
- ▶ Form W-2 Instructions

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