



. . . Health Care Reform 2011

IRS W-2 Form Reporting of the Cost of Health Care Coverage

The purpose of this alert is to briefly explain **why** employer sponsored group health care cost reporting on IRS W-2 Forms is required; **who** must report such information; **when** and **how** it must be reported; **what** information must be reported; and certain **other** related information.

Why?

This requirement was included in health care reform legislation to provide employees with useful and comparable information about the cost of their health care coverage. Even though this information will be included on an IRS W-2 Form, the amount reported is informational and is not taxable income.

Who?

Any employer who files 250 or more W-2 Forms for 2011 is subject to this reporting requirement. This reporting is required for private-sector employers, governmental entities and church organizations, but is not required for federally recognized Indian tribal governments.

This reporting requirement will not apply to standalone dental or vision plans or for an employee who terminates employment before the end of a calendar year and requests an immediate W-2 Form for that calendar year.

This reporting requirement will not apply to small employers (who file fewer than 250 W-2 Forms for 2011) until further guidance from the IRS, which will be provided with at least six months advance notice.

When?

This reporting requirement applies beginning with the W-2 Forms provided for the 2012 calendar year (and sent to employees in January 2013) and applies to any employer who files 250 or more IRS W-2 Forms for 2011.

How?

The applicable amount will be reported in box 12 of the IRS W-2 Form using Code DD.

What?

The aggregate cost of applicable employer sponsored health plan coverage to be reported may be calculated in one of three ways:

- 1) the **COBRA applicable premium method** which must be the COBRA premium for the applicable calendar year (less the 2% administrative charge). If a plan year is not the calendar year, the COBRA premium for the W-2 Form calendar year shall be based on the sum of the COBRA premium for the portion of each plan year within the applicable calendar year.
- 2) the **premium paid method** for insured health plans; or
- 3) a **modified COBRA premium method** with respect to a plan that either (a) subsidizes the cost of COBRA or (b) charges a premium based on a prior year COBRA premium. Under these circumstances, a good faith estimate of the subsidized COBRA premium or the prior year COBRA premium will apply.

The following types of coverages are not reportable health plan coverage for this purpose: long-term care coverage; HIPAA excepted benefits (such as AD&D or disability income insurance); independent, non-coordinated coverage for (a) specific disease or illness, or (b) hospital indemnity or fixed indemnity insurance; multi-employer plan health insurance coverage; and FSAs, HRAs and HSAs.

Other

If the contribution for reportable coverage is paid for by both employer and employee contributions, both portions must be included in health plan cost for IRS W-2 Form reporting purposes. Furthermore, even if the benefits of a highly compensated individual ("HCI") are included in his/her income for federal tax purposes under I.R.C. §105(h), the cost of such coverage must be reported on the HCI's IRS W-2 Form.

The cost of health coverage for a retiree does not need to be provided if an IRS W-2 Form does not otherwise need to be furnished the retiree.

The applicable cost of health care coverage for both grandfathered and non-grandfathered group health plans must be reported.

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