

BenAlert

BENEFIT TRENDS AND LEGISLATIVE UPDATES

APRIL 2011



Howitt Benefit Services is pleased to provide you with periodic updates on benefit trends and legislative updates. As part of our valuable services, we want to ensure that you are in compliance and well-informed of the ongoing changes in our industry.

In this BenAlert:

- Important Legislative Update Related to the Patient Protection and Affordable Care Act

April 22, 2011

The following is a legislative update on recent actions taken by California Governor Brown, the U.S. Congress and the IRS which are related to the Patient Protection and Affordable Care Act. Although signed into law on March 23, 2010 by President Obama, fine tuning of the health care reform law continues as the state and federal governments conform, clarify and in some cases repeal certain provisions.

We will continue to keep you apprised of the latest developments.

California AB 36

As you know from our previous Memorandum (2011-3), the California legislature passed a law which will conform the tax treatment for medical benefits available under PPACA (adult dependent provisions) to federal law. We now can confirm that Governor Brown signed the legislation into law and it has been chaptered on April 7, 2011.

[Full Text of AB 36](#)

Refer to Howitt's recent BenAlert, [California Legislation Provides Tax Relief](#) for our Action Plan.

H.R. 4: 1099 Requirements

The U.S. Congress has now passed H.R. 4 and it awaits President Obama's signature. H.R. 4 repeals the expansion of information reporting (1099s) resulting from PPACA rules originally promulgated on March 23, 2010. They were to take effect for tax years beginning after December 31, 2010. H.R. 4 also

repeals an income recapture provision applicable to certain taxpayers who receive government subsidies for health care expenditures. This PPACA provision was to take effect for tax years after December 31, 2013.

[Full Text of H.R. 4](#)

IRS Notice 2011-28: Interim Guidance on W-2 Reporting

PPACA requires employers to include the aggregate cost of employer-sponsored group health coverage beginning with the 2012 tax year (W-2s furnished in January 2013). This Notice contains details on what constitutes “applicable employer-sponsored coverage,” the methods available for calculating the amounts to be reported, and guidance in special situations such as change of coverage, blended or composite rates, and non-calendar determination periods.

It is important to note that employers with fewer than 250 W-2s for the 2011 tax year will have optional reporting requirement for the 2012 tax year.

We will prepare a more detailed analysis of this Notice within the next week.

[Full Text of IRS Notice 2011-28](#)

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