

BenAlert

BENEFIT TRENDS AND LEGISLATIVE UPDATES

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HOWITT
Benefit Services

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:

- **W-2 Health Care Reporting Requirements:
Once and For All – For Now**

December, 2011

What is the Form W-2 Reporting provision all about?

Essentially, this provision is about transparency and education, requiring employers to report the total value of an individual employee's health benefits on their Form W-2. As a result, employees will better understand the true benefit they receive through their employers, and at the same time gain awareness of the true cost to obtain health coverage.

On March 29, 2011, the IRS issued interim guidance regarding the provision. The IRS previously determined that this reporting would be optional for all employers for 2011 Forms W-2 (to be provided to employees in January 2012). With this change, the requirement is now optional for employers filing fewer than 250 Forms W-2 in the previous tax year. This is effective for 2012 Forms W-2 (issued in January 2013) and until further guidance is issued. Employers filing 250 or more Forms W-2 in 2011 must include the cost of employer-sponsored health coverage on the forms for the tax year 2012.

The IRS reiterated that the health care amounts reported on the W-2 are strictly informational and NOT taxable to the employee. In addition, Forms W-2 do not need to be issued to individuals who would not otherwise receive a Form W-2, such as COBRA recipients and retirees.

Additional provisions contained in this guidance include:

- The aggregate cost of employer sponsored health coverage will be reported on the Form W-2 in box 12 using the code 'DD'. This amount will not need to be reported on the Form W-3.
- The cost of coverage under all applicable employer-sponsored coverage must be included in the aggregate reportable cost. However, the following amounts are NOT included:
 1. The amount contributed to any Health Savings Account
 2. The amount of any salary reduction election to a flexible spending arrangement
 3. The cost of coverage under a Health Reimbursement Arrangement (HRA)
 4. The amount that an employee elected to apply to a health FSA under a cafeteria plan under Section 125 (excluding any employer matching contribution)
 5. Cost of coverage under a stand-alone dental plan or vision plan
 6. Cost of coverage under a self-insured group health plan not subject to federal continuation requirements
 7. Cost of coverage of military personnel provided by the federal government (or a state or local government)

Calculating the Value of Coverage

The process to determine the aggregate cost of employer-sponsored coverage is similar to determining the premiums for COBRA continuation. Only employers filing 250 or more W-2s will be mandated to include this information on 2012 Forms W-2 (furnished to employees in January 2013). At this time, the IRS indicated that this reporting will continue to be optional for smaller employers filing less than 250 Forms W-2, until further guidance is issued.

Former Employees

Employers are not required to issue Forms W-2 to non-employees currently receiving health coverage (such as a retiree or surviving spouse) in order to report the health coverage amounts.

Stay Tuned

The IRS may be publishing additional guidance on the new requirement. We are vigilantly watching the requirements as they develop, so that we can support you who as we learn about the new rules and will need to implement them in the near future. We will keep you posted on further developments.

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