



## **Health Care Reform: W-2 Reporting Requirement**

Health care reform requires employers to report the aggregate cost of employer-sponsored health coverage on employees' Form W-2s. This new reporting requirement, originally scheduled to take effect for the 2011 tax year, was delayed till the 2012 tax year. New guidance released by the Internal Revenue Service (IRS) on 3/29/11 provides:

- The reporting requirement is informational only and is NOT subject to tax.
- The cost is to be reported on Form W-2, Box 12, using code DD.
- Employers are NOT required to issue a Form W-2 to individuals they are not otherwise required to provide a W-2 for, such as a retiree or former employee receiving no compensation.
- Employers are NOT required to report the cost of coverage on any W-2 issued before January 2013.
- The aggregate cost of coverage is a monthly calculation; if an employee changes plans during the calendar year or if the plan is a non-calendar year plan, the calculation needs to change to reflect any change in cost.

### **EXCEPTION TO THE REPORTING REQUIREMENT**

Employers who file fewer than 250 Forms W-2 for the 2012 tax year (which are required to be issued by 1/31/13) are NOT subject to this new reporting requirement for 2012 Forms W-2. These employers not required to report the cost of coverage on the 2012 W-2 will be required to begin reporting for the 2013 tax year, which allows these employers an additional year to prepare for this requirement.

### **AGGREGATE COST OF COVERAGE**

The aggregate cost of employer-sponsored coverage is the total cost of coverage under all employer sponsored coverage provided to the employee, with a few exceptions. The aggregate cost includes both the employee and employer portion of the premium, regardless of whether such contributions are made pre-tax or after-tax. The guidance also provides that the cost of coverage under a health reimbursement arrangement (HRA)/medical expense reimbursement arrangement (MERP) is not included in the aggregate cost of coverage. Stand-alone dental or vision plans are also excluded if those plans are not integrated into a group health plan providing health coverage. These two limited exceptions are likely temporary and these costs will likely have to be reported in future years.