
THE GROUP BENEFIT NEWS BULLETIN

“Mandatory W-2 Reporting of the Health Plan Value...Not So Fast IRS Provides Temporary Relief for 2011”

October 12, 2010, the Internal Revenue Service (IRS) issued guidance that postpones the mandatory requirement to include the “Aggregate Cost of Applicable employer-sponsored health coverage” on the employee’s annual W-2 for the 2011 tax year. The basis of the relief was to allow employers that opportunity to make the necessary payroll system adjustments.

Included in the guidance, the IRS provided a draft of the 2011 Form W-2 indicating that the healthcare cost can be voluntarily reported in the existing Box 12 using the new code “DD” which is intended to clearly state this is not taxable income.

Section 9002 of the Patient Protection and Affordable Care Act (PPACA) amended the Internal Revenue Code section 6051(a) which requires an employer to furnish a W-2 to each employee on or before January 31st of the succeeding year or within 30-days of a written request from an employee if employment ends prior to the end of the tax year. Under the PPACA amendment, employers are required to include the “aggregate cost of applicable employer-sponsored health coverage” on the Form W-2 beginning after the 2011 tax year. This new guidance removes the mandatory requirement for the 2011 W-2.

The term “applicable employer-sponsored coverage” is defined in new Code section 4980(I)(d)(1) as generally any coverage under any group health plan made available to the employee by an employer which is excludable from the employee’s gross income under Code section 106. In addition to the cost of any major medical plan that the employer offers, the cost of on-site clinics and employee assistance plans that are treated as a group health plan must be included.

Statutory exceptions to the Form W-2 reporting are: salary reduction contributions to health Flexible Spending Accounts, long-term care coverage, contributions to Archer Medical Savings Accounts and Health Savings Accounts, specified disease, hospital indemnity, accident and disability insurance, and dental and vision insurance coverage that is offered separately from medical coverage.

The official notice is available online at: www.irs.gov/pub/irs-drop/n-2010-69.pdf

The draft of the 2011 Form W-2 is available online at: www.irs.gov/pub/irs-utl/draft_w-2.pdf

As always, TBPG will continue to monitor the updates and keep you informed of any pertinent information. If you have any questions, please contact your TBPG representative.



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