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Health Care Reform and New W2 Reporting Requirements

As you may have heard, by 2013, the “aggregate cost” of employer sponsored coverage must be included on the IRS Form W-2, and this amount is to be determined under some specific rules. However, this reporting is for informational purposes only, and does not change the tax treatment of health insurance coverage.

Overview:

- Compliance Date: Optional for 2011, reporting is mandatory beginning with W2s for the calendar year 2012, which employers are generally required to furnish to employees in January 2013.
- **“Aggregate cost”** is the total cost of coverage all coverage provided to the employee and is determined under some specific methods outlined in IRS guidance. Several calculation methods are available.
 - Does not include the amount contributed to any Archer MSA or to any health savings account of an employee or an employee’s spouse.
 - Also does not include the amount of any salary reduction contributions to a flexible spending arrangement.
- Employer: Applies to all employers that provide employer sponsored coverage, including federal, state and local government entities, churches and other religious organizations, and employers that are not subject to the COBRA continuation coverage, except:
 - Federally recognized Indian tribal governments;
 - An employer that was required to file fewer than 250 Forms W-2 for the preceding calendar year; and
 - Multiemployer plans.
- IRS Notice 2011-28: An excellent resource that contains additional details regarding the methods of reporting and calculating the cost of coverage, as well as questions and answers for common situations.

IRS Notice 2011-28; available online at: <http://www.irs.gov/pub/irs-drop/n-11-28.pdf>

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