



FRIDAY, APRIL 8, 2011

HEALTH CARE REFORM UPDATE

IRS ISSUES ADDITIONAL GUIDANCE ON W-2 HEALTH CARE COST REPORTING

On March 29, 2011, the Internal Revenue Service (IRS) issued guidance ([news release](#)) that gives small employers additional time to comply with a Patient Protection and Affordable Care Act (PPACA) law that requires companies to report the cost of health care coverage on employee W-2 wage and income statements. Notice [2010-69](#), issued last fall, made this requirement optional for all employers for 2011 W-2s. In guidance in [Notice 2011-28](#), the IRS provided further relief for employers with fewer than 250 employees by making this requirement optional. This reprieve will continue through 2012 or until the IRS issues further guidance on the matter.

In addition to providing W-2 health care cost-reporting extensions, the IRS is now offering a 90-day public comment period on this interim guidance. The IRS emphasized that the new reporting to employees is for their information only, to inform them of the cost of their health coverage; employer-provided health coverage continues to be excludable from an employee's income, and is not taxable. Using a question-and-answer format, [Notice 2011-28](#) also provides guidance for employers that are subject to this requirement for the 2012 Forms W-2 and those that voluntarily comply with it for either 2011 or 2012. The notice includes information on how to report, what coverage to include and how to determine the cost of the coverage.

There are some employers not subject to this reporting requirement. Exemptions include employers who utilize multiemployer health plans or self-insured plans not subject to COBRA continuation coverage (or similar requirements); employers providing Forms W-2 to employees who terminate before the end of a calendar year and request a Form W-2 before the end of that year; and employers who are not otherwise required to issue a Form W-2 for an individual, such as a retiree or other former employee, receiving no compensation.

The IRS has published some [Frequently Asked Questions](#) to answer more inquiries from employers regarding specific details of the legislation and subsequent notices. One common question received is what amount should the employer report on the Form W-2 for health coverage—is it the amount the employer or the employee paid or both? The answer is the aggregate cost of applicable employer-sponsored coverage including both the portion of the cost paid by the employer and employee, regardless of whether the employee paid for that cost through pre-tax or after-tax contributions. An employer is not required to use the same method for every plan, but must use the same method with respect to a plan for every employee receiving coverage under that plan. The reportable cost must be determined on a calendar year basis and must include increases/decreases in cost during the calendar year; employee election change during the calendar year due to a life event; and the cost of coverage included in the employee's gross income (imputed income).

As your trusted partner, we are committed to keeping you informed, and helping you understand and comply with the guidelines pertaining to the health care reform legislation.

We hope you find these updates helpful and invite you to share your questions and comments by emailing us at health.reform@trion.com or calling 610-945-1198. Past issues of our *Health Care Reform Update* are available at <http://www.trion.com/healthreform>.