IRS Issues Guidance on Health Care Coverage W-2 Reporting
As a result of PPACA
W-2 Reporting…Why

- Congress wants everyone to know/understand the total cost of your coverage – so that you can shop for coverage

W-2 Reporting…Who, What & When

  - Beginning with W-2’s issued on 1/31/2013 for 2012 earnings, employers will provide this cost data in *Box 12, using code DD* (an information only box)
- **2014**: Less than 250 employees? In 2012, your company is relieved from tracking & reporting the value of health care coverage on Forms W-2.
  - You’ll start with your 1/31/2014 issued W-2’s for calendar year 2013.

The amount that must be reported is the “aggregate cost of applicable ER-sponsored coverage,” (that is excluded gross income under IRC Section 106 (with some exceptions).
W-2 Reporting...More Than 250 Employees? Here’s What You Need to Know for 2012:

<table>
<thead>
<tr>
<th>Type of Coverage</th>
<th>Reportable on W-2?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully insured Medical/Rx coverage</td>
<td>Yes.</td>
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<tr>
<td>Self funded Medical/Rx coverage</td>
<td>Yes (unless it is a Church Plan exempt from COBRA).</td>
</tr>
<tr>
<td>Insured Dental or Vision</td>
<td>No, if unbundled from Med/Rx*.</td>
</tr>
<tr>
<td>Self funded Dental or Vision</td>
<td>No, if unbundled from Med/Rx*.</td>
</tr>
<tr>
<td>HCFSA contributions</td>
<td>No, for EE Sect. 125 contributions. But, YES if the ER makes HCFSA contributions or gives credits.</td>
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<tr>
<td>HRA contributions</td>
<td>No.</td>
</tr>
<tr>
<td>HSA contributions</td>
<td>No. Continue reporting in W-2-box 12 (Code W).</td>
</tr>
<tr>
<td>On-site medical clinics</td>
<td>Yes, if a group health plan.</td>
</tr>
<tr>
<td>Multiemployer plans (MEWAs)</td>
<td>No.</td>
</tr>
<tr>
<td>Long-Term Care</td>
<td>No.</td>
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<tr>
<td>Gov't health plans (for military &amp; military families)</td>
<td>No.</td>
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<tr>
<td>Indian Tribal Gov't sponsored health plans</td>
<td>No.</td>
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<tr>
<td>Indemnity / Illness policies (E.g. AFLAC, Colonial Life, etc.)</td>
<td>Yes, if the ER pays for it. No, if the EEs pay for it with after-tax dollars. See IRS Q/A 37 and 38 in Notice 2012-9.</td>
</tr>
</tbody>
</table>
W-2 Reporting Continued…

- An employer may choose from among several methods of calculating the reportable cost under a plan:
  - The COBRA premium cost to the EE
  - The premiums charged for the EE’s coverage
  - A modified COBRA premium (whether the employer subsidizes COBRA premiums or bases them on premiums calculated in a prior year).

What types of health care coverage must be included and reported on Form W-2?

“Employers are required to report the total cost of all “applicable employer-sponsored coverage” provided to an employee. For any employee, “applicable employer-sponsored coverage” is coverage under a group health plan that the employer makes available to the employee that is non-taxable to the employee (or that would be non-taxable if coverage were employer-provided).”
Which employers and when will they be subject to these requirements?

- All employers that provide “applicable employer-sponsored coverage” under a group health plan are subject to the reporting requirement.

- “Applicable employer-sponsored coverage” means coverage under any group health plan made available to the employee by an employer which is excludable from the employee’s gross income under internal Revenue Code § 106 or would be excludable if it were employer-provided coverage.”

- “This includes federal, state and local government entities (except with respect to plans maintained primarily for members of the military and their families), churches and other religious organizations, and employers that are not subject to COBRA continuation coverage requirements, but does not include federally recognized Indian tribal governments.”

- **Note:** Employers are not required to report the cost of health coverage on any Forms W-2 required to be furnished to employees prior to January 2013. However, if an employer chooses to report earlier (e.g. on the 2011 Forms W-2 generally furnished to employees in January 2012) the employer may look to **Notices 2011-28 and 2012-9** for guidance regarding that voluntary, earlier-reporting.
Some types of coverage are excluded from this reporting requirement under the Affordable Care Act (ACA) or by IRS authority under this new requirement:

- Health savings accounts (HSAs)
- Health reimbursement arrangements (HRAs)
- Separate dental or vision (“stand alone”) coverage (whether insured or self-insured) that in not “bundled” into a group health plan
- Pretax salary reduction contribution to a Flexible Spending Account (HCFSA)
- Long-term care
- Archer medical savings accounts (MSAs)
- Coverage only for accident or disability income insurance
- Liability insurance, including general liability and automotive liability
- Workers compensation or similar insurance
- Automobile medical payment insurance
- Credit-only insurance
- Other similar insurance coverage, specified in regulations, under which benefits for medical care are secondary or incidental to other insurance benefits
- Coverage only for a specified disease or illness**
- Hospital indemnity or other fixed indemnity insurance**

**These had been excluded from W-2 reporting by authority of the IRS under Notices 2011-28 and may now be required to be included under certain conditions expressed within Notice 2012-9 (Q/A 37 and 38).
Transition Relief

Certain provisions of the new interim guidance provide transition relief to employers, mostly by deferring compliance with the Form W-2 reporting requirement. This includes relief for:

- Employers that file fewer than 250 Forms W-2 (2014 -1/31/14 for 2013 tax year’s W-2)
- Forms W-2 furnished to terminated employees before the end of the year
- Forms W-2 for employees in multiemployer plans
- Reporting the cost of HRAs
- Reporting the cost of dental and vision plans
- Reporting the cost of self-insured plans that are not subject to COBRA or similar continuation requirements

IRS Links

- [Notice 2010-69](#): the IRS altered the reporting requirement for W-2s.
- [Notice 2011-28](#): the IRS offered transitional guidance as stated on the pages above.
- [Notice 2012-9](#): the IRS clarified a few matters with regard to HCFSAs, different organizational types and the inclusion of EAP or other non-ERISA-excepted-benefits for which COBRA premiums are charged to Qualified Beneficiaries.
Questions

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Healthcare Reform Timelines