



REYNOLDS & REYNOLDS INC.

Employer W-2 Health Insurance Reporting

Beginning with the 2011 tax year, employers will be required to report the aggregate cost of applicable employer-sponsored health insurance coverage on employee's annual Form W-2. This reporting will show employees the value of their health care benefits and will not affect tax liability. Since the W-2 form is reported to the government, this information will likely be used to track coverage values for mandates and for the excise tax which is to be implemented in 2018.

Applicable employer-sponsored health insurance coverage:

- ✓ Employer offered group health plan coverage, regardless of whether the employee or employer has paid the cost:
 - Medical plans
 - Prescription drug plans
 - Dental and vision plans, unless they are "stand alone"
 - Executive physicals
 - Onsite clinics, if they provide more than minimal care
 - Occupational nurse providing emergency treatment is minimal care
 - Clinic providing full scale medical treatment is not minimal care
 - Medicare supplemental policies
 - Employee Assistance Plans
- ✓ Employer contributions to Health Flex Savings Accounts (FSA), Health Savings Accounts (HSA), and Health Reimbursement Accounts (HRA)

Not applicable employer-sponsored health insurance coverage:

- ✓ Coverage for specific disease, such as cancer policies, and hospital indemnity insurance, often referred to as mini-med policies paid on an after-tax basis
- ✓ Long term care coverage
- ✓ Archer MSA or HSA contributions from the employee or employee's spouse
- ✓ Employee contributions through salary reduction to a health FSA

Aggregate cost of coverage:

The aggregate cost of coverage will likely be calculated based on a methodology similar to that used under COBRA (minus the 2% COBRA administrative fee, if charged). Also, if the plan provides for COBRA continuation coverage by rate category (i.e. single coverage and family coverage), the plan would be required to calculate the aggregate cost relative to this separate category when reporting the health care value. Employers will only be required to provide the total value of all coverages and not a specific breakdown of the various types of coverage, like the medical separate from the prescription drug.

Items which are still unclear:

The IRS has not finalized the regulations in full detail yet.

- ✓ Exact formula for determining the "aggregate cost" has not been finalized
- ✓ How to determine value for Employer Assistance Programs (EAP) and onsite clinics

- ✓ Reporting for former employees, retirees, terminated employees on COBRA, and surviving spouses

Because employees are entitled to request their Form W-2 early if they terminate employment during the 2011 tax year, payroll systems need to be updated for this change by January 1, 2011. For more specific tax guidance, please contact your payroll vendor or tax advisor.

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