

Health Care Reform W-2 Reporting Requirements

Required Action: Report the value of employer-provided health care coverage to employees, the Internal Revenue Service and the Social Security Administration on Form W-2, Box 12, code DD.

Effective: W-2s issued by January 31, 2013 for the 2012 tax year

Interim Guidance: IRS Notice 2011-28

Key Questions

1. What Employer-Sponsored Health Care Coverage Must Be Reported?
2. What Is the Aggregate Cost?

Type of Employer-Sponsored Coverage	Report	
	Yes	No
Medical plan (HMO, insured or self-insured)	✓	
Retiree medical		✓
Employer credits or contributions to health flexible spending account	✓	
On-site medical clinics	✓	
Salary reduction contributions to health flexible spending account		✓
Contributions to a health savings account (associated with HDHP)		✓
Cost of coverage under a Health Reimbursement Arrangement (HRA)		✓
Contributions to a Multiemployer Plan		✓
Long term care coverage		✓
Vision coverage under a separate policy, certificate or contract of insurance		✓
Dental coverage under a separate policy, certificate or contract of insurance		✓
Contributions to a multiemployer plan		✓
Accident, disability insurance; liability insurance (general and auto); workers compensation and other similar coverage		✓
“Independent, noncoordinated coverage” offered separately for (a) a specified disease or illness and (b) hospital indemnity insurance		✓

The Aggregate Cost is the Non-Subsidized COBRA Cost

Calculation of Aggregate Cost

Self-insured plan calculation - actuarial method or past cost method

Insured plan calculation - use the premiums actually charged by the insurer

- Include costs paid by the employer and costs paid by the employee whether paid through a premium subsidy, a cafeteria plan salary reduction, or on an after-tax basis.
- Include costs associated with coverage that is includible in the employee's income, e.g., coverage for a domestic partner or same sex spouse.
- Modified COBRA Premium Method is available if the employer subsidizes the cost of COBRA coverage.

Special Situation

Employee terminates mid-year. Choose one reporting option and apply it consistently.

Option 1. Report cost of coverage until date of termination, disregarding COBRA

Option 2. Report cost of coverage through date of termination plus COBRA

Communications

Consider explanation to employees with or in advance of W-2 reporting to limit inquiries and to explain that reporting does not make the benefit taxable to the employee.

Governmental Entities

Governmental entities that sponsor group health plans are not automatically exempt from the reporting requirement.

Caveats

Legislation to repeal reporting requirement may ultimately eliminate the reporting requirement.

Additional guidance may require the future reporting of coverage that is currently not reportable.

Source of Law

PPACA section 6051(a)(14)
IRS Notice 2010-69
IRS Notice 2011-28

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Hanson Bridgett's Employee Benefits attorneys advise clients on the laws governing retirement and welfare benefits and executive compensation, including ERISA, tax, labor and securities laws. We are conversant with all aspects of the design and administration of retirement plans (including 401(k)s and ESOPs), executive compensation, cafeteria plans, health benefit plans (including cost containment issues), employment agreements, early retirement incentive programs, change-in-control counseling, and the legal aspects of investment of plan assets.