



HEALTH CARE REFORM – SPECIAL EDITION

Form W-2 Reporting of Health Care Costs in 2012

LEGISLATIVE BRIEF

December 12, 2011

Large employers --defined as those who issue at least 250 W-2s for 2011—are required to report the aggregate cost of applicable employer-sponsored group health coverage on Form W-2 starting with the 2012 tax year. Such employers should ensure that procedures are in place by January 1, 2012 to adequately capture the necessary information each payroll period. This reporting requirement applies to both grandfathered and non-grandfathered plans but does not apply to smaller employers until the 2013 tax year. Reportable aggregate cost includes both employer contributions and pre-tax and after-tax employee contributions. Aggregate reportable and non-reportable costs are defined in [IRS Notice 2011-28](#) and should be reported in box 12 on Form W-2, using code DD. Reporting is for informational purposes only; it does not affect the taxability of the coverage.

The W-2 Reporting Matrix details the types of health care coverage or cost that large employers *should* and *should not* report on Form W-2 for 2012.

TYPE OF COVERAGE OR COST	REPORT ON W-2	DO NOT REPORT ON W-2
Group medical coverage for employee, spouse & covered dependents. Covered dependents include any person covered by the plan because of a relationship to the employee, whether or not the individual is a dependent per the tax code, e.g., 25-year old adult child who is not a tax dependent, or a domestic partner who is not a tax dependent.	X	
Dental coverage that <i>is</i> integrated into the group medical plan, i.e., insured medical and dental provided under the same contract; or self-funded dental that is bundled or integrated with self-funded medical.)	X	
Vision coverage that <i>is</i> integrated into the group medical plan, i.e., insured medical and vision provided under the same contract; or self-funded vision that is bundled or integrated with self-funded medical.)	X	

TYPE OF COVERAGE OR COST	REPORT ON W-2	DO <u>NOT</u> REPORT ON W-2
Coverage for an on-site medical clinic (additional IRS guidance is needed on how to determine the reportable cost per employee).	X	
Medical coverage provided to an individual employed by related employers: Each employer issues a separate W-2, so each employer reports the cost of its coverage separately.	X	
Medical coverage provided to an individual employed by related employers: One employer is the common paymaster for all wages paid to the individual.	X Common paymaster	X Other employers
Dental coverage that is <i>not</i> integrated into the group medical plan, i.e., insured dental benefits under a separate contract from medical benefits; or self-funded dental that is not integrated with self-funded medical (e.g., participants can elect <i>not</i> to receive dental).		X
Vision coverage that is <i>not</i> integrated into the group medical plan, i.e. insured vision benefits under a separate contract from medical benefits; or self-funded vision that is not integrated with self-funded medical (e.g., participants can elect <i>not</i> to receive vision).		X
Health Flexible Spending Account (HFSA) pre-tax contributions by employee.		X
Archer Medical Savings Account (MSA) contributions.		X
Health Savings Account (H.S.A.) contributions.		X
Long-Term Care coverage.		X
Health Reimbursement Arrangement (HRA) contributions and coverage.		X
Voluntary coverage for specific disease or illness, such as cancer policies -- where such coverage is funded by the employee on an after-tax basis.		X
Voluntary hospital indemnity policies or other fixed indemnity policies -- where such coverage is funded by the employee on an after-tax basis.		X
Secondary or Incidental insurance benefits such as: coverage for accident or disability income insurance, medical benefits insurance issued as a supplement to liability insurance or under auto liability insurance, workers' compensation insurance, credit-only insurance, or other similar insurance (please see IRC section 9832(c)(1)).		X
Employer contributions to multiemployer plans for employee health coverage		X
Excess reimbursements of highly compensated individuals (HCIs) under IRC section 105(h), even though the excess reimbursements are included in income of the affected HCIs. (Report this amount on the W-2 as income, but not in Box 12.)		X
Coverage under a self-funded group health plan that is not subject to any federal continuation coverage requirements, e.g., a self-funded church plan.		X
Coverage under a plan maintained primarily for members of the military or for their families that is provided and maintained by any governmental entity (e.g., federal government, state or local)		X

TYPE OF COVERAGE OR COST	REPORT ON W-2	DO NOT REPORT ON W-2
Employer-sponsored health care provided to retirees or other former employees for whom the employer is not otherwise required to issue Form W-2s.		X
Coverage under a medical plan sponsored by an employer that is a Federally recognized Indian tribal government.		X

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