

Small Employers – No Need to W-2 Report Health Coverage Costs in 2012

The IRS and Treasury Department have provided additional guidance on a provision of last year's health care reform act that requires employers to report the cost of applicable employer-sponsored health coverage on employees' W-2 statements. The provision was slated to be effective starting with W-2 statements for the 2011 calendar year, but was later pushed back to W-2 statements for the 2012 calendar year.

IRS Notice 2011-28 adds some additional leeway; for the year 2012, and until the IRS issues further guidance, employers who file less than 250 W-2s are not required to report health coverage costs.

Employers subject to the reporting requirement are to report the total cost – the combined cost to the employer and employee – of coverage for any group health plan that is made available to the employee and excludable from the employee's taxable income. This includes employer contributions to the employee's Health Care FSA, under certain circumstances.

The requirement does not include, among other non-reportable benefits, coverage under a standalone dental or vision plan, any coverage for long-term care, an employee's pre-tax salary reduction contributions to a Health Care FSA, or coverage under a Health Reimbursement Arrangement or Health Savings Account.

Reporting the cost of employer-sponsored health coverage on Forms W-2 will not affect employees' taxable income. Rather, the reporting requirement provides a tracking mechanism to verify that employers are complying with the coverage mandates required by health care reform.