



WorkforceTactix | October 2010

# HR *insider*

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## **W-2 Reporting of Health Coverage Costs Delayed • Employer Relief Provided by IRS**

On October 12, 2010, the IRS announced the delay of W-2 reporting for employers' health coverage costs and provided a draft copy of Form W-2 for public commentary. Per recently passed health care reform laws, employers were required to report the aggregate cost of employer-sponsored group health coverage on employees' Forms W-2 for 2011. In Notice 2010-69, the IRS explained that the Form W-2 reporting requirement is not mandatory for W-2s issued for 2011 and employers will not be subject to penalties for failure to report the aggregate cost of employer-sponsored coverage.

The Internal Revenue Code, as modified by the Patient Protection and Affordable Care Act of 2010, requires an employer to report on an employee's Form W-2 the aggregate cost of "applicable employer-sponsored coverage," excluding: (1) the amount contributed to an Archer MSA of the employee or the employee's spouse, (2) the amount contributed to a health savings account of the employee or the employee's spouse, and (3) the amount of any salary reduction contributions to a flexible spending arrangement.

Prior to the IRS' recent relief guidance, this requirement was scheduled to become effective for taxable years beginning after December 31, 2010. This meant that employers were to capture the aggregate coverage costs throughout 2011 for W-2 reporting in January 2012.

"Applicable employer-sponsored coverage" is generally defined as coverage under any group health plan made available to an employee by an employer that is excludable from the employee's gross income under the Code. Applicable employer-sponsored coverage includes the entire cost of the coverage as typically used in determining the costs for COBRA (excluding the 2% administrative fees).

The Treasury Department and the IRS anticipate issuing guidance further explaining the Form W-2 reporting requirement before the end of 2010. In the meantime, employers can view the recently released draft Form W-2 and make comments directly to the Treasury Department and the IRS.

### **More Information**

To view Notice 2010-69, visit <http://www.irs.ustreas.gov/pub/irs-drop/n-2010-69.pdf>.

To view the draft Form W-2, visit <http://www.irs.ustreas.gov/newsroom/article/0,,id=228881,00.html>

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