

A black and white photograph of a modern office interior. In the foreground, two men are looking at a laptop. In the background, two women are reviewing documents, and another woman is working on a laptop. The office has large windows with a grid pattern, and a bright green decorative shape is in the top right corner.

# ACA: W-2 Reporting Requirements

The ACA contains a W-2 reporting requirement for employers.



# Tax Rules Stay the Same

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- Reporting requirement only
- Gives employee information about the cost of coverage
- Value of coverage is not taxable to employee or included as income



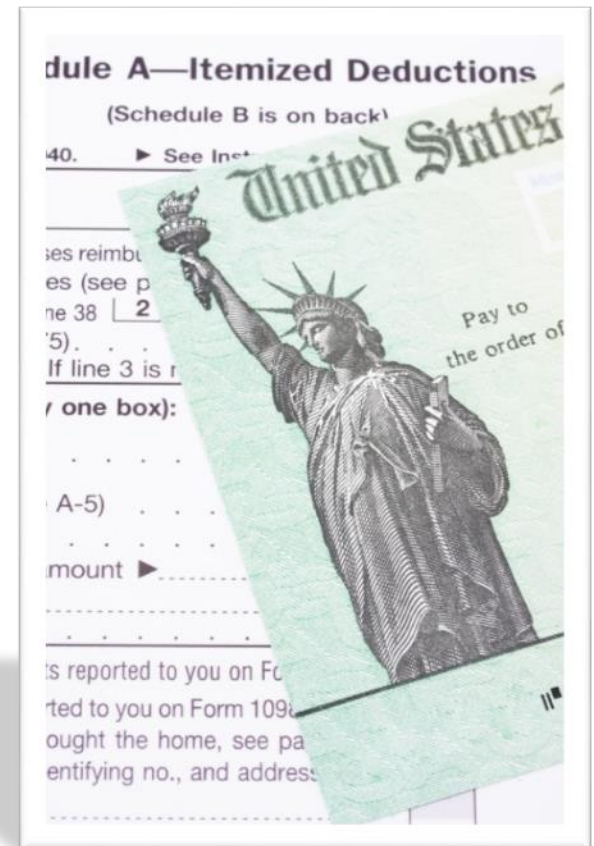
# Compliance Dates

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- Reporting is mandatory starting in 2012 for large employers
- Reporting is delayed for small employers until further guidance is issued
  - Small employers are those that filed fewer than 250 W-2 forms in the prior year
  - **The IRS confirmed that this transition relief for small employers applies for the 2015 tax year and will continue to apply to future calendar years until the IRS publishes additional guidance**

# Most Employers Must Comply

- Employers that provide applicable health coverage
- Includes:
  - Government entities
  - Churches
  - Religious organizations
- Some exceptions exist



# Employer Exceptions

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- Indian tribal governments
- Indian tribal government-owned corporations
- Employers that only sponsor exempted plans
- Small employers (for now)

# Information to Report

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- Total cost of employer-sponsored health coverage
- Group health plan coverage
  - Includes insured and self-funded plans
- Total cost =  
    Employer portion +  
    Employee portion
- Report in box 12 with code “DD”



# Coverage Exceptions

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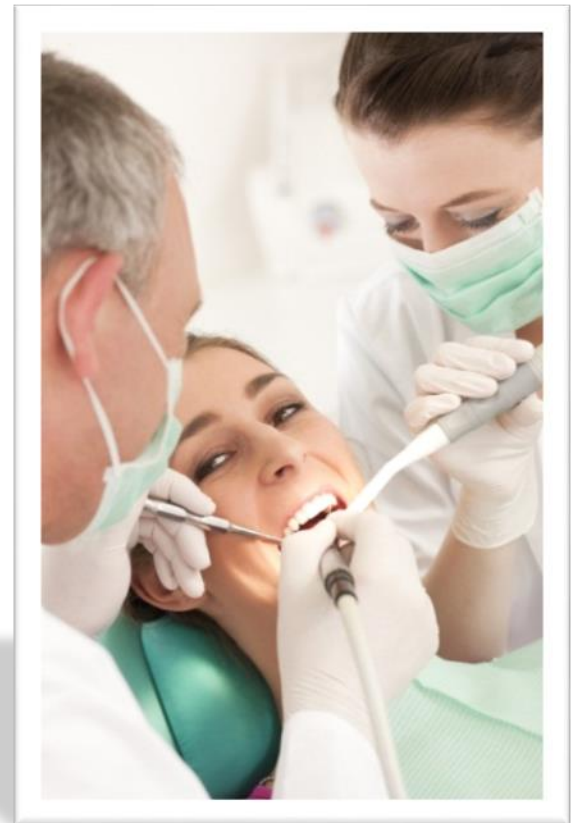
- Long-term care
- “Excepted benefits” and after-tax coverage
- HSA/Archer MSA contributions
- Health FSA salary reductions
- Military benefits



# Optional Coverage

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- Employers may report:
  - Multiemployer plan coverage
  - Health Reimbursement Arrangements (HRAs)
  - Separate dental and vision plans not in another plan
  - Self-insured plans of employers not subject to COBRA
  - EAPs, wellness program or on-site medical clinic if no COBRA premiums



# Determining Cost of Coverage

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- Include both employer and employee portion of the cost
- Calculation methods:
  - COBRA applicable premium method
  - Premium charged method
  - Modified COBRA premium method
- Can use different methods for different plans

# COBRA Applicable Premium Method

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- Cost of coverage = COBRA applicable premium
- Does not include 2 percent administrative fee



# Premium Charged Method

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- Can use for insured plans
- Cost of coverage = premium charged by insurer
- Use premium for each employee's coverage
  - Self-only, family, etc.



# Modified COBRA Premium Method

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- For employers that:
  - Subsidize the cost of COBRA coverage
  - Set COBRA premiums based on prior year's cost
- Use either:
  - A reasonable good-faith estimate of the COBRA premium if subsidized; OR
  - COBRA premium for the prior year

# W-2 Not Required?

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- New rule does not create new obligations to issue Form W-2
- Employers do not have to issue a W-2 if it wasn't otherwise required
- Examples:
  - Retirees
  - Employees without reportable compensation

# Terminated Employees

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- Use any reasonable method to report coverage for terminated employees
  - Must be consistent for all terminated employees
- Exception for terminated employees who request Forms W-2 before the end of the year

# Compliance Steps

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- Assess obligation to report:
  - Count number of W-2s to be filed
  - Identify plans subject to the reporting rules
- Determine the aggregate cost of each type of coverage
- Coordinate with payroll provider to report coverage on Form W-2





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# Thank you!

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