

TAX TIPS

BE IN A POSITION OF STRENGTHSM

October 21, 2010

EMPLOYER'S REPORTING OF HEALTH INSURANCE COVERAGE ON FORMS W-2 IS NOW OPTIONAL FOR 2011

Every employer must furnish each of their employees and IRS with a statement of compensation information on Form W-2, including wages paid by the employer to the employee and the taxes withheld from such wages during the calendar year. Prior to the passage of the Patient Protection and Affordable Care Act of 2010, there was no requirement that the employer report the total value of employer sponsored health insurance coverage on the Form W-2, although some employers voluntarily reported the amount of salary reduction under a cafeteria plan resulting in tax-free employee benefits in box 14.

The Patient Protection and Affordable Care Act of 2010 requires an employer to disclose on each employee's annual Form W-2 the value of the employee's health insurance coverage sponsored by the employer for tax years beginning after December 31, 2010. If an employee enrolls in employer-sponsored health insurance coverage under multiple plans, the employer must disclose the aggregate value of all such health coverage. However, the reporting requirement for the cost of employer-sponsored coverage does not apply to coverage for amounts contributed by an employer to any Archer medical savings account of an employee or the employee's spouse, to a health savings account of an employee or the employee's spouse or for the amount of any salary reduction contributions to a flexible spending arrangement. The reportable amounts are not taxable and the new reporting requirement is intended to be informational and to provide employees with greater transparency into overall health care costs.

Under Notice 2010-69, the IRS deferred this new reporting requirement and employers will not have to report the aggregate cost of employer-sponsored group health plan coverage on Forms W-2 issued for 2011. The Treasury Department and the IRS determined that this relief is appropriate to provide employers with additional time to make the necessary changes to their payroll systems or procedures in preparation for compliance with the reporting requirement. Reporting of health insurance coverage for 2011 will be optional, and employers taking advantage of the reprieve will not be treated as if they failed to meet the reporting requirements or be subject to any penalties.

In addition, the announcement provided a draft Form W-2 for 2011. The draft Form W-2 includes the codes that employers may use to report the cost of coverage under an employer-sponsored group health plan. The IRS anticipates it will publish additional guidance on the new requirement later this year.

CIRCULAR 230

To ensure compliance with U.S. Treasury rules, unless expressly stated otherwise, any U.S. tax advice contained in this communication (including attachments) is not intended or written to be used, and cannot be used, by the recipient for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.

If you have any questions please contact our National Tax Services Group at 609.520.1188 or e-mail Taxbriefs@withum.com

W-2 NEWS—TEMPORARY RELIEF!

Tax Tips are published by WithumSmith+Brown, PC, Certified Public Accountants and Consultants, for clients and friends of the firm. The information contained in this publication is for informational purposes and should not be acted upon without professional advice. Please contact any one of our offices with your inquiries.



WithumSmith+Brown, PC
Certified Public Accountants and Consultants
New Jersey, New York, Pennsylvania, Maryland, Florida, Colorado.