

Legislative Brief

Health Care Reform: IRS Delays Form W-2 Reporting Requirement



Reporting Requirement Delayed

The Patient Protection and Affordable Care Act (PPACA) requires employers to report the aggregate cost of employer-sponsored group health coverage on an employee's Form W-2, beginning with the 2011 tax year. Although the information must be disclosed, the cost of the coverage remains tax-free to the employee.

On October 12, the Internal Revenue Service announced that it will delay the compliance date for this requirement. The IRS and the Treasury Department have provided the relief in order to give employers more time to make any necessary changes to their payroll systems or procedures in preparation for compliance with the reporting requirement.

The temporary relief from the reporting requirement is found in IRS Notice 2010-69. This notice states that reporting the cost of employer-sponsored group health coverage will not be mandatory for 2011 Forms W-2, which would be issued in 2012. Due to the extension, employers will have to include this information for the first time on the 2012 W-2s instead, which are not issued until 2013.

Specifically, the IRS has stated that employer will not be treated as failing to meet the reporting requirements for 2011, and will not be subject to penalties, just because it does not report the aggregate cost of employer-sponsored coverage on Forms W-2 issued for 2011.

This IRS and the Treasury Department also announced that they are anticipating issuing additional guidance on the reporting requirement before the end of 2010.

Gowrie Group will continue to update you if additional information becomes available with respect to this requirement.

Compliance Steps for Employers

Although the requirement has been delayed, employers should use the additional time to ensure that they (or their payroll provider) are prepared to gather this information in advance of having to complete the Forms W-2. In doing so, they should make sure they can identify the applicable employer-sponsored coverage that was provided to each employee and be prepared to calculate the aggregate cost of that coverage. The aggregate cost of the coverage is to be calculated similarly to how the COBRA applicable premium is determined.

Employers may also have to address questions from employees regarding whether their health benefits are taxable under this new requirement. They can assure employees that the rule is a reporting requirement only, and does not mean they will incur additional tax obligations.

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