

## **Reporting of Health Coverage on Form W-2**

This Employee Benefits Update provides information on the new Form W-2 reporting of health benefits. This reporting is mandated by Health Care Reform.

The IRS has issued new guidance in Notice 2011-28 regarding health benefits that need to be reported on Form W-2: <http://www.irs.gov/pub/irs-drop/n-11-28.pdf>. This is interim guidance that will be effective until further guidance is issued. Although we have some guidance, there are quite a few open questions.

Here's part of what we know:

- Some employers are given an extra year before compliance is required. Employers required to file fewer than 250 2011 Form W-2s will not be required to report the health coverage on Form W-2s for the 2012 Form W-2s.
- Administration of this provision will not be entirely straightforward. The interim guidance addresses which individuals need to be reported and includes information on employees working for multiple employers and "common paymaster" reporting arrangements.
- Not all benefits will need to be included. Plan coverages included for this reporting rule may be different from the Health Care Reform Public Health Service Act purposes. There are a number of exceptions listed in the interim guidance.
- Reportable costs include both the portion paid by the employee and by the employer. The guidance provides several alternatives for determining costs and rules for handling mid-year changes in coverage.

### **What should employers do?**

- Determine whether reporting will be optional or required for the 2012 reporting year. Even employers given another year before compliance is required, should consider how reporting will be done.
- Determine which health benefits need to be reported and which individuals must be reported, including how to handle COBRA qualified beneficiaries and terminated employees.
- Where more than one employer is involved, make sure that you have up to date information on how employees are paid, including any common paymaster arrangements.
- Evaluate Form W-2 reporting compliance in conjunction with overall Health Care Reform and employee benefit law compliance.
- Consider which service providers will be involved in compliance and document any delegations in service agreements.
- Watch for additional guidance.

Please contact me if I can be of assistance to sit down and help you develop a game plan to handle the new Form W-2 reporting for your plans.

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