

NEW REPORTING REQUIREMENT FOR FORM W-2**Form W-2 Client Alert****Overview**

Section 9002(a) of the "Patient Protection and Affordable Care Act" (PPACA) requires employers to report the aggregate value of "applicable employer-sponsored coverage" on their employee's Form W-2.

What is "Applicable Employer-Sponsored Coverage"?

The information that must be reported relates to "Applicable Employer-Sponsored Coverage" which includes any employer-provided coverage under an insured or self-insured health Plan.

Benefits included in reporting requirement:

- Medical Plans;
- Prescription Drug Plans;
- Dental and Vision Plans, unless they are "stand alone" Plans (i.e., an employee may elect only dental coverage or only vision coverage and is not required to also enroll in medical coverage);
- Executive physicals;
- On-site clinics if they provide more than "de minimus care" (as defined by IRC Sec. 132(e) (1));
- Medicare supplemental policies; or
- Employee assistance programs.

Benefits excluded from reporting requirement:

- "Stand alone" Plans;
- Long-term care;
- Accident or disability income benefits;
- Specific disease or illness policies (such as cancer policies);
- Hospital (or other) indemnity insurance policies where the full premium is paid by the employee on an after-tax basis;
- MSA (medical savings account) or HSA (health savings account) employee contributions; or

- Salary reduction contributions to a Health FSA (flexible spending arrangement).

Effective Date for Reporting

This new reporting requirement applies to employee's tax years beginning after December 31, 2010, with the Form W-2 to be issued in January 2012. However, if an employee terminates employment during the year, they are entitled to request their Form W-2 at the time of termination. Therefore, payroll systems must be updated by February 1, 2011 in order to facilitate an early request.

What Must be Reported?

Employers are required to report the total value of coverage. The value is the aggregate premium calculated under COBRA rules minus the two percent administrative charge permitted under COBRA. For example, if an employee is covered under a Medical Plan which includes Dental and Vision benefits, the employer is required to report the total value of the combination of all three benefits.

What Does This Mean to Employees?

The aggregate value of the employee's health benefits will not be included in the employee's taxable income. This reporting is for informational purposes only, and will enable each employee to fully understand the actual value of their employer provided health care benefits.

What Does This Mean to Employers?

To ensure compliance with the new Form W-2 requirements, employer payroll systems must be updated, by February 1, 2011, to report the aggregate value of their Employee's health benefits.

Government regulations regarding the specifics of this reporting requirement are expected shortly. BAS will continue to review and analyze information as it becomes available and inform Clients and Brokers as specific information is released.