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New W-2 Reporting Guidance

by Ben Cohen, CEBS
Practice Leader – Health and
Welfare Benefits
Kushner & Company

The W-2 reporting requirements created under PPACA were provided for informational purposes only so that employees are given comparable consumer information on the cost of their health care coverage. Clarifying guidance was recently issued by the IRS on how employers and benefit plan administrators will need to meet Form W-2 health benefit cost reporting requirements, including the treatment of FSAs, HRAs, EAPs and wellness programs, and supplemental coverage.

IRS [Notice 2012-9](#) restates and amends the interim guidance initially provided in [Notice 2011-28](#) and includes the following changes:

- Employee salary reduction elections under a health FSA do not require reporting (Q&A-19).
- The cost of coverage under programs not required to be included under applicable interim relief, such as the cost of coverage under an HRA may be included in the reporting (Q&A-33).

- The cost of coverage under an employee assistance program, wellness program, or on-site medical clinic if the employer does not charge a premium with respect to that type of coverage provided under COBRA to a qualifying beneficiary are not required to be reported (Q&A-32).
- Employers do have to include the cost of any supplemental health benefits, such as cancer insurance that the employer pays for, but do not have to include the cost of supplemental health benefits that employees pay for with after-tax dollars (Q&A-38).

This guidance is applicable beginning with 2012 Form W-2s (forms required for the 2012 calendar year that employers are required to give employees by the end of January 2013). In addition, employers may rely on the guidance provided in this notice if they voluntarily choose to report the cost of coverage on 2011 W-2s, even though this reporting is not required for 2011.

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