

# Health Care Reform: W2 Reporting Requirement

The Affordable Care Act requires employers to report the cost of coverage under an employer-sponsored group health plan. Reporting the cost of health care coverage on the Form W-2 does not mean that the coverage is taxable. The value of the employer's excludable contribution to health coverage continues to be excludable from an employee's income, and it is not taxable. This reporting is for informational purposes only and will provide employees useful and comparable consumer information on the cost of their health care coverage.

Employers that provide "applicable employer-sponsored coverage" under a group health plan are subject to the reporting requirement. This includes businesses, tax-exempt organizations, and federal, state and local government entities (except with respect to plans maintained primarily for members of the military and their families). However, federally recognized Indian tribal governments are not subject to this requirement.

## Who must report?

Employers who were required to file at least 250 W-2's in the previous must include the health information on the W-2s for the following year.

## Reporting on the Form W-2

The value of the health care coverage will be reported in Box 12 of the Form W-2, with Code DD to identify the amount. In general, the amount reported should include both the portion paid by the employer and the portion paid by the employee.

## Q1. Does the cost of an employee's health care benefits shown on the Form W-2 mean that the benefits are taxable to the employee?

A. No. There is nothing about the reporting requirement that causes or will cause excludable employer-provided health coverage to become taxable. The purpose of the reporting requirement is to provide employees useful and comparable consumer information on the cost of their health care coverage.

## Q2. What types of health care coverage must be included in the amount reported on the Form W-2?

- Employer and Employee contributions for major medical and prescription drug coverage
- Employer contribution for health flexible spending accounts (HFSAs) (and payments from HFSAs) that exceed the employee's pre-tax HFSA contribution for the year.

- *However*, the employee pre-tax contribution to the HFSA is not reported on the W-2.
- Employee pre-tax contributions for hospital indemnity or specific illness policies (e.g., AFLAC cancer policy).
  - *However*, employee after-tax contributions are not reported on the W-2.
- Employer contribution for major medical and prescription drug coverage for employee’s domestic partner, even if the domestic partner is not the employee’s Tax Code dependent. Amounts that are included in the employee’s gross income must also be reported in Box 12.
- Cost of Employee Assistance Plan (EAP), wellness program and onsite medical clinic, only if they provide “healthcare” coverage and the employer charges a COBRA premium for continued coverage.

**Q3. What types of health care coverage *do not* need to be included in the amount reported on the Form W-2?**

- Dental or vision coverage that gives the choice of declining, or electing and paying an additional premium (but employer can choose to report)
- Dental or vision that is not integrated with a major medical plan (but employer can choose to report)
- Employee pre-tax contributions to a health flexible spending account (HFSA)
- Health Reimbursement Account (HRA) contributions (but employer can choose to report)
- Health Savings Account (HSA) contributions by the employer or employee
- Hospital indemnity or specific illness policies (e.g., AFLAC cancer policy) paid by the employee on an after-tax basis. (But this is included if paid pre-tax.)

**For more detail on this regulation, visit the IRS website listed below.**

<https://www.irs.gov/affordable-care-act/form-w-2-reporting-of-employer-sponsored-health-coverage>