



Employer-Provided Health Coverage Informational Reporting Requirements: Questions and Answers

The Affordable Care Act requires employers to report the cost of coverage under an employer-sponsored group health plan. To allow employers more time to update their payroll systems, [Notice 2010-69](#), issued in fall 2010, made this requirement optional for all employers in 2011. IRS [Notice 2011-28](#) provided further relief by making this requirement optional for certain smaller employers for [2012 Forms W-2](#) (meaning the Forms W-2 for calendar year 2012 generally furnished to employees in 2013). [Notice 2012-9](#), issued in January 2012, restates and clarifies guidance in Notice 2011-28. It provides guidance for employers that are subject to this requirement for the 2012 Forms W-2 and those that choose to voluntarily comply with it for either 2011 or 2012.

The following questions and answers provide information for employers on reporting the cost of the health insurance coverage, including information on transition relief for 2012, how to report, which coverage to include, and how to determine the cost of the coverage. There are many more questions and answers included in Notice 2012-9 that cover a variety of issues.

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. When will employers have to start reporting the cost of health care coverage on the Form W-2?

A. Reporting for the 2011 calendar year (meaning the Form W-2 generally required to be furnished to employees in January 2012) was optional. For the 2012 calendar year and for future years, employers generally are required to report the cost of health benefits provided on the Form W-2. Transition relief is available for certain employers and with respect to certain types of coverage, as explained in Q&A-4, below. Reporting for employers covered by the transition relief, and with respect to the types of coverage covered by the transition relief, is not required until future guidance is provided, and in no event will such reporting by these employers and with respect to these types of coverage be required on any 2012 Forms W-2 or on a Form W-2 for a subsequent year until future guidance is issued.

Q3. Which employers are subject to this reporting requirement?

A. Except as provided in the transition relief described in the next Q&A, all employers that provide "applicable employer-sponsored coverage" (see Q&A-5 below) under a group health plan are subject to the reporting requirement. This includes federal, state and local government entities (except with respect to plans maintained primarily for members of the military and their families), churches and other religious organizations, and employers that are not subject to the COBRA continuation coverage requirements, but does not include federally recognized Indian tribal governments or, until further guidance, any tribally chartered corporation wholly owned by a federally recognized Indian tribal government.

Third-party sick-pay providers that provide the Forms W-2 to the employees of the employers with which they have contracted do not have to report the cost of coverage. However, a Form W-2 provided by the employer to the employee must report the cost of coverage regardless of whether that Form W-2 includes sick pay or whether a third-party sick pay provider is furnishing a separate Form W-2 reporting the sick pay.

Q4. What transition relief is being provided by Notice 2012-9? To which employers and types of coverage does it apply and how long does it last?

A. For certain employers and with respect to certain types of coverage listed below, the requirement to report the cost of coverage will not apply for the 2012 Forms W-2 (the forms required for the calendar year 2012 that employers generally are required to provide employees in January 2013) and will not apply for future calendar years until the IRS publishes guidance giving at least six months of advance notice of any change to the transition relief. However, reporting by these employers and for these types of coverages may be made on a voluntary basis.

The transition relief applies to the following:

(1) employers filing fewer than 250 Forms W-2 for the previous calendar year (for example, employers filing fewer than 250 2012 Forms W-2 (meaning Forms W-2 for the calendar year 2012, which generally are filed with the SSA in early 2013) will not be required to report the cost of coverage on the 2013 Forms W-2 (which generally are filed with the SSA in early 2014). For purposes of this relief, the number of Forms W-2 the employer files includes any forms it files itself and any filed on its behalf by an agent under § 3504 (see Q&A-3 of Notice 2012-9 for more information). In addition, for purposes of this relief, the employer is determined without the application of any aggregation rules;

(2) multi-employer plans;

(3) Health Reimbursement Arrangements;

(4) dental and vision plans that either

- are not integrated into another group health plan or
- give participants the choice of declining the coverage or electing it and paying an additional premium (see Q&A-20 of Notice 2012-9 for more information);

(5) self-insured plans of employers not subject to COBRA continuation coverage or similar requirements;

(6) employee assistance programs, on-site medical clinics, or wellness programs for which the employer does not charge a premium under COBRA continuation coverage or similar requirements; and

(7) employers furnishing Forms W-2 to employees who terminate before the end of a calendar year and request a Form W-2 before the end of that year.

For more information on the additional transition relief for certain employers and with respect to types of coverage, see Section IV of Notice 2012-9.

Q5. What types of health care coverage must be included in the amount reported on the Form W-2?

A. The chart on the [Form W-2 Reporting of Employer-Sponsored Health Coverage](#) lists many types of health care coverage and various other situations, and explains whether reporting is required, prohibited, or optional.

The chart was created at the suggestion of and in collaboration with the IRS' Information Reporting Program Advisory Committee (IRPAC). IRPAC's members are representatives of industries responsible for providing information returns, such as Form W-2, to the IRS. IRPAC works with IRS to improve the information reporting process.

Q6. What amount should the employer report on the Form W-2 for health coverage? The amount the employer paid? The amount the employee paid? Or both?

A. In general, the amount reported should include both the portion paid by the employer and the portion paid by the employee. In the case of a health FSA, the amount reported should not include the amount of any salary reduction contributions. See Notice 2012-9 for more detail on the interim rules that apply to reporting contributions to a health FSA.

Q7. Where on the Form W-2 should the employer report the cost of these health care benefits?

A. The cost of these health care benefits will be reported in box 12 of the Form W-2, with Code DD to identify the amount.

Q8. What amount of health benefits should be reported on the Form W-2 for employees that terminated employment during the year and had employer-provided coverage both before and after termination?

A. Under the interim rules, the employer may use any reasonable method for inclusion of the coverage provided after termination, so long as that method is applied consistently. See Notice 2012-9, Q&A-6, for examples.

Q9. What amount of health benefits should be reported on the Form W-2 for an employee that leaves during the year and requests a W-2 before the end of the year?

A. If an employee makes such a request in writing, the employer must provide the W-2 within 30 days. However, under the interim rules, the employer will not be required to report any amount of health benefits in box 12, Code DD.

Q10. Will employers now be required to issue a Form W-2 to retirees or other former employees to whom the employer would not otherwise issue a Form W-2?

A. No.

Q11. Where can I get more information about the employer's requirement to report the aggregate cost of an employee's health care benefits on the Form W-2?

A. Detailed information about the interim rules for this reporting requirement and the additional transition rules for certain employers and with respect to certain types of coverage can be found in Notice 2012-9 and the instructions for the 2012 Form W-2.

Q12. We are a business that issued 150 W-2s in 2011; our wholly owned subsidiary, B Corp, issued 200 W-2s in 2011. Is our business covered by transition relief from the requirement to report the value of coverage on the 2012 Forms W-2 because neither business filed more than 250 W-2s? In other words, do the 414 controlled group rules apply such that we are considered one employer and not eligible for the transition relief?

A. Transition relief from the requirement to report the value of coverage on the 2012 Form W-2 is available to the parent company and its subsidiary because each filed fewer than 250 Forms W-2 for the preceding calendar year. For purposes of applying this relief, the W-2 count is determined without application of any entity aggregation rules for related employers.

Form W-2c, Corrected Wage and Tax Statement

Q13. We are a large employer that issued more than 250 W-2s in 2011. Due to a misunderstanding of the requirements to report employer sponsored health coverage on Form W-2, we did not program health insurance amounts into our payroll system in time for the 2012 W-2s. We reviewed the guidance in Notice 2012-9, and we do not qualify for transition relief, however we could not find where the notice requires corrected W-2s for unreported or incorrect amounts. Must we issue W-2cs for this correction?

A. Yes. Section 6051(a) of the Code requires this information to be reported on Form W-2. An amended return, a Form W-2c, is required if an original Form W-2 fails to include the required information.

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