

W-2 Reporting - Employer Provided Health

The Affordable Care Act requires certain employers to report the cost of coverage under an employer-sponsored group health plan. IRS Notices have made this requirement optional for certain employers. Certain items are listed as "optional" based on transition relief provided by [Notice 2012-9](#) (restating and clarifying [Notice 2011-28](#)). Notice 2011-28 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

An excerpt from the section labeled "Employers Subject to the Reporting Requirement (Q&A-3)" in Notice 2012-0 specifies that **employers who file fewer than 250 W-2 forms in 2011 will not be subject to this requirement**, and that this test will remain for later years unless and until the IRS issues revised rules. The cited paragraph is reprinted below:

Also, in the case of the 2012 Forms W-2 (and Forms W-2 for later years unless and until further guidance is issued), an employer is not subject to the reporting requirement for any calendar year if the employer was required to file fewer than 250 Forms W-2 for the preceding calendar year. (This rule is based upon the rule in § 6011(e) that exempts employers from filing returns electronically if they file fewer than 250 returns.) Therefore, if an employer is required to file fewer than 250 2011 Forms W-2, the employer would not be subject to the reporting requirement for 2012 Forms W-2. For this purpose, whether an employer is required to file fewer than 250 Forms W-2 for a calendar year is determined based on the Forms W-2 that employer would be required to file if it filed Forms W-2 to report all wages paid by that employer and without regard to the use of an agent under § 3504. For example, an employer that would have filed only 100 Forms W-2 for the previous year had it not used an agent under § 3504 will not be subject to the reporting requirement for the year, nor will an agent under § 3504 with respect to that employer's Forms W-2 for the year. In contrast, if the same employer would have filed 300 Forms W-2 for the previous year had it not used an agent under § 3504 of the Code, that employer would be subject to the reporting requirement for the year so that if an agent under § 3504 is used again the information will need to be provided to the agent and reported on the Form W-2.

If you must report health care costs on your 2012 W-2 forms, and did not establish a deduction at the beginning of 2012 to accumulate these costs with each payroll and you have already processed your final payroll for 2012, you must manually add the benefit costs to your W-2's.

If you must report health care costs, or if you elect to provide health costs on your 2013 W-2 forms, you can do so as a one-time, end of year benefit, or accumulate costs with each payroll as outlined below in 1 and 2, respectively:

- 1) Before the final paycheck has been issued a one time end of the year fringe benefit can be set up to be used before the last payroll. This deduction is used for a predefined, set amount for health costs. The amount is predetermined with the assistance of your CPA and should represent the monetary value the employee received for health insurance.
- 2) Use the instructions below to create a one-time deduction and process as a predetermined amount for each qualified employee.

How to set up and process fringe benefits throughout the year and before the final paycheck

To record the fringe benefit with each payroll, create a deduction for the fringe benefit and attach it to the employee's record to be used for each pay period.

This example uses company paid Health Insurance:

Steps to set up a regular fringe benefit to be deducted throughout the year:

1. Select P/R / Utilities / Maintain Deductions and set up the deduction.
2. Click the 'New' button to create a new deduction
3. Enter the deduction 'ID' and 'Description'. Example: COHLTH and Company Health Insurance
4. From the 'Method' drop-down box, select the calculation method. Select 'Fixed amount per pay period' if the deduction amount remains the same for every paycheck, otherwise select 'Variable, entered on time card' if the amount is different for every paycheck.
5. In the 'Category' drop-down box, select 'Company-Ind' because it is paid by the company and the rate is individual to each employee.
6. Define the General Ledger accounts for the 'Credit account' and 'Debit account'. (Refer to your CPA if you are unsure) Examples: Credit account: Health Ins Payable and Debit account: Health Ins Expenses.
7. Select the taxable boxes that apply. (Refer to your CPA if you are unsure.)
8. Accept the rest of the defaults, if desired.
9. Click the 'W-2...' button. Clear the 'None' check box and enter 12 in the 'Box number to use' field, and enter DD in the "ID to use" field. Click 'OK'. Click 'OK'.
10. Save the deduction and exit the 'Maintain Deductions' option.
11. Select P/R / Employees / Maintain Employees / Deductions. Add this deduction to the employees that receive this fringe benefit. If the calculation method is 'Fixed amount per pay period', enter the amount to be recorded for each pay period. If it is 'Variable entered on time card' no amount is entered.
12. Select P/R / Processing / Time Card Entry, to process employee time cards. If the calculation method is 'Fixed amount per pay period', no action is necessary. The deduction is calculated automatically and it is not added in the time card process. If the calculation method is 'Variable, entered on time card', then select the deduction in the 'Earnings' drop-down box and enter the deduction amount.
13. Select P/R / Processing / Automatic Payroll Calculation, to perform the calculation. Select to print the Payroll Register, and verify all information before checks are printed. After checks are printed, the employee's taxable pays are normally higher than the gross pay by the amount of the fringe benefit.

Important: If FWT is not selected on this deduction, the deduction amount will not be included in Box 1 on the W-2. If SWT is not selected on this deduction, the deduction amount will not be included in Box 16 on the W-2.