

# FAQs on Form W-2 Reporting of Employer-Sponsored Health Coverage

Beginning with calendar year 2012 Forms W-2 (required to be furnished to employees in January 2013), employers that provide a group health plan to employees and who have not been granted transitional relief generally must report the cost of the coverage provided to each employee annually. **Note: This requirement does not apply to employers that were required to file fewer than 250 Forms W-2 for the preceding calendar year, unless and until the IRS publishes further guidance giving at least 6 months advance notice.**

**Q. 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.

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

**A.** 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 below. Reporting for the 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.

**Q. 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” 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.

**Q. 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 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. In addition, for purposes of this relief, the employer is determined without the application of any aggregation rules;
2. Multi-employer plans;

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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;
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.

**Q. 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.

**Q. 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.

**Q. 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.

**Q. 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.

**Q. 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.

**Q. 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.