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*Top Employers
Know When
To Seek Counsel*



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Employers, Be Prepared for Healthcare Reform Requirements

Healthcare reform, some love it, some hate it. However, the reality is....it's coming, so employers get prepared. One noticeable change for employers is the new requirement that employers must report the value of employer sponsored health coverage on employees' W-2 Forms. The W-2 Forms to be issued in January 2013 will reflect this change for larger employers issuing 250+ W-2 Forms in 2011. As a result, for most employers, that means health coverage provided to employees during 2012 will need to be tracked for inclusion on the W-2 Form provided to employees in January 2013.

The IRS has provided some guidance for employers in its Notice 2011-28 regarding this new requirement and how it will affect reporting. Highlights include:

- This reporting to employees is for their information only, to inform them of the cost of their health care coverage, and does not cause excludable employer-provided health care coverage to become taxable. Nothing causes or will cause otherwise excludable employer-provided health care coverage to become taxable.
- For smaller employers, that are required to file fewer than 250 2011 W-2 Forms, they will not be required to report the cost of health coverage on any forms required to be furnished to employees prior to January 2014. This transition relief will continue until the issuance of further guidance.
- The following types of coverage are not required to be included on the W-2 form:
 - (1) Coverage only for accident, or disability income insurance, or any combination thereof;
 - (2) Coverage issued as a supplement to liability insurance;
 - (3) Liability insurance, including general liability insurance and automobile liability insurance;
 - (4) Workers' compensation or similar insurance;
 - (5) Automobile medical payment insurance;
 - (6) Credit-only insurance;
 - (7) Other similar insurance coverage, specified in regulations, under which benefits for medical care are secondary or incidental to other insurance benefits.
- The aggregate reported costs includes the employee and any other individual covered under their plan.
- The aggregate reportable costs is included in on the W-2 Form in Box 12, using code DD.
- Employers are able to choose from multiple methods of valuing employer-sponsored health coverage, including using the COBRA premium or, for insured plans, the amount of the applicable insurance premium.

Since the change will use data from 2012, now is the time for employers to work with their payroll provider or payroll systems to ensure that this information is being tracked appropriately for 2012. This will allow for a smooth transition to the new requirement on W-2 Forms provided in January 2013.

For more information, please review the IRS notice at:

<http://www.irs.gov/pub/irs-drop/n-11-28.pdf>

For additional information on Employment or Labor Law issues, please contact TAMMY MEADE ENSSLIN at 859-963-9049.

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