



Maine Municipal Employees Health Trust

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To: Health Trust Participating Employers
From: Anne Wright, Director, MMEHT
Date: January 22, 2016
Re: About Those W-2s

January 31 is fast approaching, and employers are working feverishly to complete their W-2s so that they can be provided to employees by the end of the month. One question that has come up frequently in the past few weeks is whether or not employers must report the cost of employer-sponsored health insurance coverage on their employees' W-2s.

The Affordable Care Act (ACA) includes language stating that employers must report on the cost of coverage provided to employees under an employer-sponsored health plan. Such reporting, says the ACA, would include the **total cost** of the employer-sponsored coverage; that is, both employer and employee contributions. The purpose of this reporting, as stated on the IRS website (<https://www.irs.gov/Affordable-Care-Act/Form-W-2-Reporting-of-Employer-Sponsored-Health-Coverage>), is to "provide employees useful and comparable consumer information on the cost of their health care coverage." The IRS points out that such reporting does not mean that the cost of health insurance coverage is taxable to the employee; it's only required for informational purposes.

Information on the cost of employer-sponsored health coverage should be placed in Box 12 of the Form W-2, using Code DD. It will include the total cost (employer plus employee contributions combined) for what the IRS calls "Major Medical" coverage. For Health Trust members, that means coverage under any of the POS or PPO health plans, including the cost of any domestic partner coverage that is included in the employee's gross income. The reporting will also include the cost of any hospital indemnity or specified illness coverage (think AFLAC, for example), but only if premiums are paid through by the employee on a pre-tax basis, or by the employer. And it will include the value of a Health Flexible Spending Account for the plan year in excess of the employee's cafeteria plan salary reductions for all qualified benefits (if you offer an FSA, contact your FSA or cafeteria plan administrator to see if this applies to you).

Employers may also choose to include the following amounts in their Box 12 reporting: the cost of coverage under a dental or vision plan which is not integrated into another medical or health plan; the cost of coverage under a dental or vision plan which gives employees the choice or declining or electing the coverage and paying an additional premium; and employer contributions to a Health Reimbursement Arrangement (HRA). All of these are listed by the IRS as "**optional**"; that is, employers may choose whether or not to include them in the Box 12 reporting.

Employers are instructed **not** to include the cost for any of the following in their Box 12 reporting: contributions to a Health Savings Account (HSA), whether made by the employer or the employee; contributions to an Archer Medical Savings Account (Archer MSA), whether made by the employer or the employee; and the cost of any hospital indemnity or specified illness coverage, if premiums are paid on an after-tax basis. Employers should also not include the cost of a variety of other types of coverage, including disability insurance, workers comp insurance, and so on. These may all be found on the IRS website listed above.

The requirement to report on the cost of health insurance coverage applies to businesses, tax-exempt organizations, and federal, state, and local government entities, with very few exceptions (Indian tribal governments and governmental plans maintained mainly for members of the military and their families are exempt from the requirement). **However, it's important to note that the IRS is offering what is called "transition relief" to certain employers, relieving them of the necessity to have to do this reporting for the time being.**

So who is eligible for this "transition relief"? At the present time, according to the IRS, reporting on the cost of employer-sponsored health insurance coverage on the W-2s is **optional** for "Employers required to file **fewer than 250 Forms W-2** for the preceding calendar year (determined without application of any entity aggregation rules for related employers)". As noted on the IRS website referenced above, "This transition relief first applied to the 2013 Forms W-2 that were issued in 2014. **The relief applies for the 2015 tax year and will continue to apply to future calendar years until the IRS publishes additional guidance.**"

To quote one last time from the IRS website: "Any guidance that expands the reporting requirements will only apply to calendar years that start at least six months after the guidance is issued."

So – for those employers with **fewer than 250 W-2 employees** in 2015 – relax. Take the weekend off, and don't worry about having to calculate the total cost of your employees' health insurance for this year. You can include it on the W-2s if you want, but it's not mandatory for you (yet).

For those employers with **250 or more W-2 employees in 2015** – the clock is ticking! Only a little over a week till those W-2s have to be in your employees' hands!

And to all of you - Have a great weekend!

Please note that the Maine Municipal Association and the Maine Municipal Employees Health Trust are sharing this information to assist you with your compliance planning. We recommend that you contact your legal counsel with specific questions relating to this law.