

IRS Delays W-2 Health Cost Reporting Requirement

Business Insurance, Oct. 15, 2010

The Internal Revenue Service announced Tuesday that it will waive for one year a health care reform law requirement that employers report the cost of coverage on employees' W-2 wage and income statements.

Under the reform law, employers were to have given health care cost information on 2011 W-2 statements that are distributed to employees in 2012. Instead, the health care cost information will have to be reported on the 2012 W-2s, which are issued in 2013.

"The Treasury Department and the IRS have determined that this relief is necessary to provide employers the time they need to make changes to their payroll systems or procedures in preparation for compliance with the new reporting requirement," the agencies said.

The one-year delay "will be welcomed by employers due to the big administrative effort they face in meeting the new requirement. It is a good move by regulators," said Frank McArdle, a consultant with Aon Hewitt Inc. in Washington.

The IRS also noted that the W-2 reporting requirement is only for informational purposes and the amounts that are reported will not be taxable. Some health care reform critics have erroneously reported that the reporting requirement changed the tax status of employer-provided coverage.

That coverage is tax-free, though starting in 2018 a 40 percent excise tax will be imposed on health insurance premiums that exceed a certain amount.