

## **Reporting the Cost of Employer-Sponsored Health Care Coverage on IRS Form W-2**

### ***For Calendar Year 2013 (W-2s issued in January 2014)***

*State Agencies – Enterprise Services produces the W-2s and addresses this reporting for state agencies. Payroll offices need to be aware of the reporting requirements in the event manual adjustments are required for an employee's year-to-date balance.*

### **Federal Requirement for Reporting on W-2's**

Federal law requires reporting of employer-sponsored medical and dental costs on employee W-2 Forms. *(HCA relied on IRS instructions from Form W-2 (Cat. No. 25979S) and interim Relief Instruction Notice 2011-28 in preparing the above instructions and examples.)*

Employers are required to determine and report three numbers:

1. Employee contributions toward medical and dental insurance premiums.
2. The cost of employer-sponsored medical and dental care.
3. The cost of employer contributions and optional employee contributions through payroll deduction (if applicable) to a Health Savings Account (HSA) *(if employee has one)*.

### **Numbers Provided by PEBB**

PEBB, as the plan administrator, is providing applicable rates for employers to carry-out their reporting responsibility. See the attached table entitled "Employer Reporting for the Cost of Employer-Sponsored Health Coverage on IRS Form W-2."

### **Calculating Numbers for W-2 Reporting**

1. Calculating and reporting the employee contribution for medical:
  - a. Identify the employee's tier (i.e., subscriber only, subscriber and spouse, subscriber and child, or full family).
  - b. Identify employee's medical and dental plans.
  - c. Identify employee's pre-tax deductions.
  - d. Sum the pre-tax "**Employee Contribution**" for medical and report in box 14 of the W-2. *(This reporting requirement is unchanged from previous years)*.
    - If the employee waived medical, report zero.
    - Consider each month separately to account for any mid-year changes in tier or plan. Then calculate the total for the tax year.
2. Calculating and reporting the cost of employer-sponsored medical and dental care:
  - a. Identify the employee's tier (i.e., subscriber only, subscriber and spouse, subscriber and child, or full family).
  - b. Identify the employee's medical and dental plans.

- c. Sum the “**Cost of Employer-Sponsored Medical Care**” and “**Dental Care**” and report in box 12 of the W-2 using code DD.
- If the employee waived medical, report dental.
  - Consider each month separately to account for any mid-year changes in tier or plan. Then calculate the total for the tax year.
  - Include the cost of the domestic partner’s medical insurance as part of the aggregate cost of health insurance and also report as defined in the guidance provided in the Tax Issues for Non-Qualified Tax dependents on the Rates page of the pers/pay website: [www.perspay.hca.wa.gov](http://www.perspay.hca.wa.gov).
3. Calculating and reporting the Health Savings Account (HSA) contribution of the employer and the employee:
- a. Sum the “**Cost of Employer-Paid Health Savings Account**” plus any optional payroll deductions toward the HSA made by the employee and include in box 12 using code W.
- Include both pre and post-tax employee discretionary payroll deductions to the HSA

**Examples of Calculating and reporting Employer-Sponsored Health Care Cost**

*Examples of calculating the employer-sponsored health care cost (#2 on previous page) and cost of employer-paid and employer contributions to an HSA through payroll deduction (#3 on previous page)*

**Example A** – (see guidance letters A and A1 on the rate chart):

Single employee (subscriber) enrolled in Group Health Value for medical and Uniform Dental Plan for dental.

Group Health Value	\$ 535.22 (see A on rates chart)
Uniform Dental Plan	+ \$ 46.34 (see A1 on the rates chart)
Total cost of health care per month	\$ 581.56

Multiply total cost of health care per month by the number of months the employee was enrolled in the plans for that tax year. Report the total in box 12 on the W-2 form using code DD.

**Example B** – (see guidance letters B, B1 and B2 on the rate chart):

Married employee and spouse (subscriber and spouse) are enrolled in UMP CDHP with HSA for medical and DeltaCare for dental.

UMP CDHP with HSA	\$ 990.26 (see B on the rates chart)
DeltaCare	+ \$ 79.06 (see B1 on the rates chart)
Total cost of health care per month	\$ 1069.32

Employer Contribution for HSA	\$ 116.67 (see B2 on the rates chart)
Optional HSA Employee Contribution through payroll deduction	+ \$ <u>xx.xx</u>
Total HSA contribution per month	Total

Multiply total cost of health care per month by the number of months the employee was enrolled in the plans for that tax year. Report the total health care in box 12 on the W-2 form using code DD. Multiply total HSA contribution per month by the number of months the contributions were made to the HSA for that tax year. Report the total HSA contribution in box 12 in the W-2 form using code W.

**Example C – (see guidance letter C1 on the rate chart):**

Married employee waived medical and enrolled full family in Uniform Dental Plan only.

Uniform Dental Plan	\$ <u>139.02</u> (see C1 on the rates chart)
Total cost of health care per month	\$ 139.02

Multiply total cost of health care per month by the number of months the employee was enrolled in the plans for that tax year. Report the total in box 12 on the W-2 form using code DD.

**Example D:**

Employee is not eligible for insurance.

Not eligible for benefits	\$ 0.00 <i>Nothing to report on W-2 form</i>
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**Employer Reporting for the Cost of Employer Sponsored Health Coverage On IRS Form W-2**

Final 2013 PEBB Rates, Medical and Dental - State Active Employees

HCA Finance and Administration

	State Active Medical per Month											
	Subscriber			Subscriber & Spouse			Subscriber & Child(ren)			Full Family		
	Employee Contribution	Cost of Employer-Sponsored Medical Care	Cost of Employer Paid Health Savings Account	Employee Contribution	Cost of Employer-Sponsored Medical Care	Cost of Employer Paid Health Savings Account	Employee Contribution	Cost of Employer-Sponsored Medical Care	Cost of Employer Paid Health Savings Account	Employee Contribution	Cost of Employer-Sponsored Medical Care	Cost of Employer Paid Health Savings Account
Group Health Classic	\$ 115.00	\$ 584.66		\$ 240.00	\$ 1,163.14		\$ 201.00	\$ 1,018.52		\$ 326.00	\$ 1,597.00	
Group Health Value	\$ 66.00	\$ 535.22		\$ 142.00	\$ 1,064.26		\$ 116.00	\$ 932.00		\$ 192.00	\$ 1,461.04	
Group Health CDHP	\$ 36.00	\$ 513.77	\$ 58.34	\$ 82.00	\$ 1,018.40	\$ 116.67	\$ 63.00	\$ 906.83	\$ 116.67	\$ 109.00	\$ 1,353.13	\$ 116.67
Kaiser Permanente Classic	\$ 98.00	\$ 567.06	\$ -	\$ 206.00	\$ 1,127.94		\$ 172.00	\$ 987.72		\$ 280.00	\$ 1,548.60	
Kaiser CDHP	\$ 21.00	\$ 498.95	\$ 58.34	\$ 52.00	\$ 988.26	\$ 116.67	\$ 37.00	\$ 880.52	\$ 116.67	\$ 68.00	\$ 1,311.50	\$ 116.67
Uniform Medical Plan Classic	\$ 77.00	\$ 545.83		\$ 164.00	\$ 1,085.48		\$ 135.00	\$ 950.57		\$ 222.00	\$ 1,490.22	
Uniform Medical Plan CDHP	\$ 22.00	\$ 499.95	\$ 58.34	\$ 54.00	\$ 990.26	\$ 116.67	\$ 39.00	\$ 882.27	\$ 116.67	\$ 71.00	\$ 1,314.25	\$ 116.67

	State Active Dental per Month											
	Subscriber			Subscriber & Spouse			Subscriber & Child(ren)			Full Family		
	Employee Contribution	Cost of Employer-Sponsored Dental Care		Employee Contribution	Cost of Employer-Sponsored Dental Care		Employee Contribution	Cost of Employer-Sponsored Dental Care		Employee Contribution	Cost of Employer-Sponsored Dental Care	
Willamette Dental	\$ -	\$ 40.20		\$ -	\$ 80.40		\$ -	\$ 80.40		\$ -	\$ 120.60	
DeltaCare	\$ -	\$ 39.53		\$ -	\$ 79.06		\$ -	\$ 79.06		\$ -	\$ 118.59	
Uniform Dental Plan	\$ -	\$ 46.34		\$ -	\$ 92.68		\$ -	\$ 92.68		\$ -	\$ 139.02	

Note:

The term "health coverage" includes medical and dental coverage.