



New W-2 Reporting Requirements

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A very small section of the Patient Protection and Affordable Care Act (PPACA) makes some major changes in Form W-2 reporting which will impact employers in the near future. Section 9002 of the PPACA requires an employer to calculate and report the "aggregate cost" of all employer-sponsored health coverage to an employee on that employee's W-2 form. This new reporting requirement applies starting with the 2011 tax year, which means that for most employers, the first W-2 forms that are distributed with this new information will be distributed in January of 2012. However, because an employee whose employment is terminated before the close of a calendar year may request an early W-2 form from his or her former employer, which must be provided by the employer within 30 days of such a request, employers must be prepared for and implement the new reporting requirements at the start of 2011. Employers will also need to ensure that their payroll systems are updated to reflect these changes so that they will be able to provide W-2 forms that comply with the new requirements.

One of the major unanswered questions is how to determine the aggregate cost of employer-sponsored health coverage. Although the new regulation indicates that employers should use rules similar to the COBRA valuation rules to determine the coverage's aggregate cost, the exact formula for determining the aggregate cost of coverage has not been finalized. Reportedly, government regulations regarding how to value plans are imminent and any such regulations would presumably apply both to COBRA and the new W-2 reporting requirements. Another challenge for employers is that some of the plans covered by the new reporting requirement are not plans which previously would have been valued for COBRA purposes, such as an on-site medical clinic. Employers would now be required to determine reportable values for such programs.

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Although only a small and seemingly innocuous portion of the health care reform act, Section 9002 requires employers to make some significant changes in their reporting on W-2 forms. Because the changes implemented by this section go into effect beginning January 1, 2011, employers should prepare for these changes now so that they are able to comply with the new regulations as soon as they are in effect.
