

New Employee Fringe Benefit Process

May 5, 2011 Session 7

This document contains instructions for setting up and using employee fringe benefits. Occasionally, the IRS modifies the laws that require certain employee provided benefits be taxed. Examples of this are benefits such as use of an automobile, life insurance in excess of \$50,000, etc. To maintain the fringe benefits that are to be taxed and reported to the government on the employee's Form W-2, you must use F9-7 in the Payroll System. The following screen will be displayed.

Maintaining Fringe Benefits:

This process allows for maintaining the fringe benefits associated to Deduction code 0 (zero). These benefits are for tax purposes only.

Maintain Fringe Benefits

This process allows for maintaining fringe benefits that are associated to Deduction Code 0.

Fringe Benefit Code: ____

** Find Mode **

ENTER=Position File, F2=First, F5=Next, F11=Add Mode, F24=Help, F16=Exit

To do this, the following data entry requirements must be followed.

Code:

Indicate the code of the fringe benefit to be displayed or leave it blank if you are adding a new one, then press ENTER.

There are additional function keys available from this screen and each of them is defined below.

F2=First:

Pressing F2 will display the first record on file.

F5=Next:

Entering a fringe code and then pressing F5 will begin display with the next fringe benefit code higher than the one entered.

F11=Add Mode:

Pressing F11 will display the fringe benefit entry screen allowing for the entry of a new fringe benefit.

Pressing F16 at any time will exit the process.

New Employee Fringe Benefit Process

May 5, 2011 Session 7

Maintaining Fringe Benefits (continued):

When adding a new fringe benefit, the following screen will be displayed.

Maintain Fringe Benefits

Fringe Benefit Code: ____

Status: _ (A=Active, I=Inactive)

Description: _____

Short Description: _____

Tax Abbreviation: _____

Type: _ (A=Auto, C=Computer, L=Life, M=Meal,
U=Uniform, P=Cell Phone, O=Other)

Tax to be Applied:

Federal: _ (Y=Yes, N=No, W=On W2 Only)

State: _ (Y=Yes, N=No, W=On W2 Only)

County: _ (Y=Yes, N=No, W=On W2 Only)

FICA: _ (Y=Yes, N=No, W=On W2 Only)

Medicare: _ (Y=Yes, N=No, W=On W2 Only)

** Add Mode **

ENTER=Add, F24=Help, F16=Find Mode

The following data entry requirements must be followed.

*** * * V E R Y I M P O R T A N T * * ***

If the tax switches for any of the fringe benefits change, you must also mass update the fringe benefit tax switches in each employee's fringe benefit records. This can be done through F14-18-6.

When entering or maintaining fringe benefit information, the following data entry requirements must be followed.

Fringe Benefit Code: (Only modifiable when adding a new one)

Indicates the fringe benefit code that will be used when setting up deduction code 0 for employees. Valid entries are: 0-999

Status:

Indicates the status of the fringe benefit. Once you have used a fringe benefit for one or more payrolls, do NOT ever delete it, only inactivate it. Valid entries are:

A = Active

I = Inactive

New Employee Fringe Benefit Process

May 5, 2011 Session 7

Maintaining Fringe Benefits (continued):

Description:

Indicates a free-format description that defines the fringe benefit.

Short Description:

Indicates a shorter free-format description that defines the fringe benefit.

Tax Abbreviation:

Indicates a 4-character abbreviation that will be used when printing this fringe benefit on W2's (e.g., LIFE, AUTO, etc.).

Type:

Indicates the type of fringe benefit. This is used for reporting the information correctly on W2's. Valid entries are:

- A = Automobile usage
- C = Computer usage
- L = Life Insurance in excess of \$50K.
- M = Meals
- P = Cell phone usage
- U = Uniforms
- O = Other

Tax to be applied:

These next five indicators identify whether the tax should be applied to the fringe benefit when computing payroll. These responses are critical to successfully calculating payroll and the production of W2's.

Federal:

Indicate whether federal tax should be calculated on the fringe benefit amount or not. Valid entries are:

- N = No. Federal tax will not be calculated
- Y = Yes. Federal tax will be calculated
- W = Only record the benefit amount on the employee's W2 but the system will not compute the federal tax during each pay. Instead, the amount will appear in Box 1.

State:

Indicate whether state tax should be calculated on the fringe benefit amount or not. Valid entries are:

- N = No. State tax will not be calculated
- Y = Yes. State tax will be calculated
- W = Only record the benefit amount on the employee's W2 but the system will not compute the state tax during each pay. Instead, the amount will appear in Box 16.

New Employee Fringe Benefit Process

May 5, 2011 Session 7

Maintaining Fringe Benefits (continued):

County:

Indicate whether county tax should be calculated on the fringe benefit amount or not. Valid entries are:

N = No. County tax will not be calculated

Y = Yes. County tax will be calculated

W = Only record the benefit amount on the employee's W2 but the system will not compute the county tax during each pay. Instead, the amount will appear in Box 18.

FICA:

Indicate whether FICA tax should be calculated on the fringe benefit amount or not. Valid entries are:

N = No. FICA tax will not be calculated

Y = Yes. FICA tax will be calculated

W = Only record the benefit amount on the employee's W2 but the system will not compute the FICA tax during each pay. Instead, the amount will appear in Box 3.

Medicare:

Indicate whether Medicare tax should be calculated on the fringe benefit amount or not. Valid entries are:

N = No. Medicare tax will not be calculated

Y = Yes. Medicare tax will be calculated

W = Only record the benefit amount on the employee's W2 but the system will not compute the Medicare tax during each pay. Instead, the amount will appear in Box 5.

Once all entries have been made, press ENTER and the system will verify the information entered. If any errors are detected, a message will be displayed at the bottom of the screen with the field in error flashing in red. Correct any errors, as necessary, and press ENTER again. Once no errors exist, the updates will be recorded.

F16 may be pressed at any time to exit the process.

The following options are only available when displaying an existing fringe benefit record (not adding).

F1=Prior:

Pressing F1 will display the prior record.

F2=1st:

Pressing F2 will display the first record that was originally displayed upon entry to this function.

New Employee Fringe Benefit Process

May 5, 2011 Session 7

Maintaining Fringe Benefits (continued):

F5=Next:

Pressing F5 will display the next record.

F9=Modify:

Press F9 to modify the currently displayed record. The screen will then open up for modification.

F12=Delete:

Press F12 to delete the currently displayed record. A secondary screen will be displayed. NOT RECPMMENDED WHEN THERE IS HISTORY ON FILE!

Display/Update Deductions:

Once the fringe benefits have been defined for use, they can be assigned to employees in the Display/Update Deductions process (F2-3). When pressing F2-3 to Display/Update Deductions and then selecting an employee, the following screen will be displayed.

* ACTIVE *	* DEDUCTION DATA *	F21. Ded Controls
12345 DOE, JOHN	C1: 10 Job: MAINTENANCE	Loc:
35		
3 FEDERAL TAX	4 INDIANA STATE TAX	
5 ILL STATE TAX	7 COUNTY OPTION	
9 WAGE ASSIGNMENT	1 TSA #1	
AA 403B-CREDIT UNION 48 .1000	BB 403B-EMPLOYEE ONL	
2 TSA #2	I UNREIMBURSED MEDI	62.5000
H DEPENDENT CARE	A MEDICAL INSURANCE	310 60.3300
D HRI DENTAL 208 10.9400	S VISION INSURANCE	236 .3700
N L.T.D. 220 2.8100	G UNION DUES	
V TEAMSTER DUES	U TCU	
Q FRANKLIN LIFE	R AFLAC-NO PRETAX	
0 EMPLOYEE BENEFITS 414.9700		

F8. Fringe Benefit Breakdown

Annuity Grand Max: 16500.00 GHI: Md Dental C Life Eye Sec125 Y
 \$Opt: CU#

ENTER=V1 , F2=Mor , F4=Pr , F7=Nx , F9=Cor , F10=Lm , F12=Bn , F13=Col , F15=Cm , F24=H1 , F16=Xt

New Employee Fringe Benefit Process

May 5, 2011 Session 7

Display/Update Deductions (continued):

After indicating the deduction code '0 ' (zero) amount, press F8 to display the fringe benefit breakdown options. The following screen will be displayed.

Deduction Code 0 - Fringe Benefit Breakdown for Regular Deductions

Emp.#: 12345 Name: DOE, JOHN

Code	Description	Fed	Sta	Cty	FIC	Med	Reg Amount	Adj Amount
1	AUTO USAGE	Y	Y	Y	Y	Y	414.97	
2	LIFE INS. EXCESS OF \$50K	W	W	W	Y	Y		
99	OTHER	Y	Y	Y	Y	Y		

ENTER=Validate, F24=Help, F16=Exit

This screen is used to setup regular fringe benefit breakdown amounts. The amounts entered on this screen will remain from one pay to the next.

To do a one-time adjustment for deduction code '0 ' (zero), use F2-8, Display/Update Ded Adj. When F8. Fringe Benefit Breakdown is pressed in the deduction adjustment process, the following screen will be displayed.

Deduction Code 0 - Fringe Benefit Breakdown for Deduction Adjustments

Emp.#: 12345 Name: DOE, JOHN

Code	Description	Fed	Sta	Cty	FIC	Med	Adj Amount	Reg Amount
1	AUTO USAGE	Y	Y	Y	Y	Y		414.97
2	LIFE INS. EXCESS OF \$50K	W	W	W	Y	Y		
99	OTHER	Y	Y	Y	Y	Y		

ENTER=Validate, F24=Help, F16=Exit

This screen is used to setup one-time fringe benefit breakdown adjustment amounts. The amounts entered on this screen will be cleared out the next time setup is run.

New Employee Fringe Benefit Process

May 5, 2011 Session 7

Print Employee Detail/Fringe:

To get a list of each employee's current deduction code '0 ' (zero) fringe benefit breakdown amounts, press F8-7, Print Employee Detail/Fringe. The following screen will be displayed.

Employee Master Detail Listing

To print a detail listing for ALL employees, leave the fields below blank,
and press ENTER

or

Enter the following for a detail listing on a selected group of employees,
and press ENTER

Sequence: A (A=Alpha by Name, N=Employee #)
Employee Number: to
Pay Class:
Job Code:
Location:
Which location: W (W=Work, P=Pay, B=Building)
Status: A (A=Act, I=Inact, T=Term, X=All)

Indicate report type: F (A=All Detail, F=Fringe Benefits Only)

If type = 'F', indicate fringe code: (Blank=All)

ENTER=Validate, F15=Code Help, F24=Help, F16=Exit

By entering an 'F' in the 'Indicate report type' field, a list of employees with their fringe benefit breakdown will be printed. A sample of this report is below:

```
F8-7 04/28/11 13:56      EMPLOYEE MASTER LISTING DETAIL      PAGE: 1
                          FRINGE BENEFITS ONLY

-- NAME -- COD DESCRIPTION  ABBR FED STA CTY FIC MED REG. AMOUNT  ADJ. AMOUNT
SMITH, B  003 CELL PHONE    CELL  W   W   W   W   W           5.35      .00
JONES, J  001 AUTO USAGE        AUTO  Y   Y   Y   Y   Y          64.50      .00
ADAMS, B  003 CELL PHONE    CELL  W   W   W   W   W          25.00      .00

GRAND TOTALS =====>                94.85      .00
```

New Employee Fringe Benefit Process

May 5, 2011 Session 7

Print Earnings Detail/Fringe:

To get a list of each employee's earnings history of deduction code '0 ' (zero) fringe benefit breakdown amounts, press F2-12-3, Print Earnings Detail/Fringe. The following screen will be displayed.

Print Earnings History Detail

Indicate date to use: C (C=Check Date, P=Pay Date)

Indicate 1 - 12 employee #'s to print: _____

Enter period to be printed 1 1 11 thru 12 31 11
 Enter fiscal accumulation period 7 1 10 thru 6 30 11
 Enter YTD accumulation period 8 17 10 thru 8 16 11

Indicate how to process corporation \$\$\$? N (Y=Include/N=Excl/O=Only)

Indicate one location if only one is desired: _____

Indicate one class if only one is desired: _____

Indicate report type: F (A=All Detail, F=Fringe Benefits Only)

If type = 'F', indicate fringe code: _____ (Blank=All)

Skip employees w/no pay for selected period? YES (YES/NO)

Should a name/number cross-reference be printed? N (Y=Yes, N=No)

If yr-end balancing, indicate forms: W M R (W=W2, M=1099-MISC, R=1099-R)

ENTER=Validate, F9=Emp.# Help, F15=Help for Codes, F24=Help, F16=Exit

By entering an 'F' in the 'Indicate report type' field, a list of employees with their fringe benefit breakdown amounts will be printed. A sample of this report is below:

F2-12-3 04/28/11 14:14	EARNINGS HISTORY DETAIL	PAGE: 1																
	FRINGE BENEFITS ONLY																	
----	NAME	----	COD	DESCRIPTION	DED.	0	ABBR	FED	STA	CTY	FIC	MED	REG.	AMOUNT	ADJ.	AMOUNT	CHK	DATE
	SMITH, BOB		001	AUTO USAGE	1000.00		AUTO	Y	Y	Y	Y	Y	Y	500.00	.00		01/14/11	
	SMITH, BOB		002	LIFE INS			LIFE	N	N	N	Y	Y	Y	50.00	.00		01/14/11	
	SMITH, BOB		003	CELL PHONE			CELL	W	W	W	W	W	W	300.00	.00		01/14/11	
	SMITH, BOB		099	OTHER			OTHR	Y	Y	Y	Y	Y	Y	150.00	.00		01/14/11	
	SMITH, BOB		001	AUTO USAGE	1000.00		AUTO	Y	Y	Y	Y	Y	Y	500.00	.00		01/28/11	
	SMITH, BOB		002	LIFE INS			LIFE	N	N	N	Y	Y	Y	.00	50.00		01/28/11	
	SMITH, BOB		003	CELL PHONE			CELL	N	N	N	Y	Y	Y	300.00	.00		01/28/11	
	SMITH, BOB		099	OTHER			OTHR	Y	Y	Y	Y	Y	Y	150.00	.00		01/28/11	
	EMPLOYEE TOTAL				2000.00									2,000.00	.00			
	JONES, JOHN		003	CELL PHONE	25.00		CELL	N	N	N	Y	Y	Y	.00	25.00		01/14/11	
	JONES, JOHN		003	CELL PHONE	25.00		CELL	N	N	N	Y	Y	Y	25.00	.00		01/28/11	
	EMPLOYEE TOTAL				50.00									50.00	.00			
	ADAMS, BILL		001	AUTO USAGE	25.00		AUTO	Y	Y	Y	Y	Y	Y	25.00	.00		01/14/11	
	ADAMS, BILL		001	AUTO USAGE	25.00		AUTO	Y	Y	Y	Y	Y	Y	25.00	.00		01/28/11	
	EMPLOYEE TOTAL				50.00									50.00	.00			
	GRAND TOTALS		=====>		4200.00									4,125.00	75.00			

Time & Attendance Entry Monitoring

May 5, 2011 Session 8

The ability exists to allow Payroll to monitor the entry status of time & attendance for the current payroll. To use this option, a 'Y' must be placed in the field 'Have users mark time & attendance entry complete?' in Payroll, F14-21-12 then F7. With a 'Y', users will be asked if they are done when running F4, Print Attendance Register for Pay.

The following factors determine when an employee is considered a time and attendance user.

In F24-4 Miscellaneous Security, each User ID must be setup as follows:

- The user must have a 'Y' or 'X' in the 'Hrs by Date?' field.
- The user must have their employee number in the 'Emp#' field.
- The user must be an 'active' employee (payroll status = 'A').
- The user must have access to one or more locations with a type code of 'W' (work), 'P' (pay) or 'A' (account). The user cannot have access to all locations.

The following screen will be displayed.

* Time & Attendance Input *

This screen allows for indicating that the time & attendance entry and balancing is completed for the following pay date.
Once you have marked your completion, payroll will receive notification.

Pay Date: 02 18 11

F8=Continue but NOT Complete:

Pressing F8 will continue and print the attendance register but NOT mark time & attendance entry complete for the above pay.

F12=Continue AND Complete:

Pressing F12 will continue and print the attendance register AND mark time & attendance entry complete for the above pay.

F21=Complete:

Pressing F21 will mark time & attendance entry complete & NOT print a register.

F23=Clear Completion, not done:

Pressing F23 will mark time & attendance entry as NOT complete & exit.

F24=Help, F16=Exit Only

Then, at any time, the Payroll Department can view the status of the current payroll's time and attendance entry by pressing F24 on the Time & Attendance Menu. The following screen will be displayed.

Time & Attendance Entry Monitoring

May 5, 2011 Session

Review User Entry Status

Time & Attendance

Pay Date: 02 18 11

User Name	User Locations	Current Status
CAFETERIA USER	IKE	* INCOMPLETE *
MARY SMITH	TERM	* INCOMPLETE *
GAIL SMITH	CPHS	* INCOMPLETE *
LYNDA JONES	C O	COMPLETE
JOHN DOE	TBAL	* INCOMPLETE *

F5=Next Page, F24=Help, F16=Exit

Miscellaneous Payroll Enhancements

May 5, 2011 Session 10

New Audit Trailed Fields:

There have been nine additional fields added to the Payroll audit trailing process. These fields can be set to audit in System Security then press F17, Maintain PAY Audit Trail. From the initial audit trail screen (Page 1 of 2), press **F7=More**. The following screen will be displayed.

Page 2 of 2 * * * Payroll System Audit Trail * * *

Place an 'X' to the right of each field to Audit Trail:

Field #	-----	?	Field #	-----	?
35	Direct Deposit Bank	X	36	Direct Deposit Account	X
37	Direct Deposit Status	X	38	Direct Deposit Type	X
39	Attend Processed Indicator	X	40	User Defined	
41	Division Cycle Setup	X	42	Deduction Company/Code	X
43	Class Coverage Range	X	44	Class Coverage Payment Amt	X
45	County Withholding Code	X	46	County With. Amt/Pct	X
47	Pension Exempt (PnSw)	X	48	Rate Change	X
49	Skip Pay Indicator	X	50	Garnishment Status	X
51	Garnishment Type	X	52	Garnishment Vendor	X
53	Garnishment Orig. Amt.	X	54	Garnishment Paid Amt.	X
55	Garnishment Amt/Pct	X	56	Garnishment Ignore Max	X
57	Garnishment Max Amt/%	X			

ENTER=Validate, F1=Prior, F16=Exit

The highlighted fields are the additions to the audit trailing process. If you would like for the system to audit trail all changes to these fields, place an 'X' to the right of the field and press ENTER to update.

Miscellaneous Payroll Enhancements

May 5, 2011 Session 10

Mark Account Exempt from Pension:

The ability now exists to mark an account as being exempt from pension. This would be in place of putting an 'N' on the employee's Gross Data screen in the 'PnSw' field (which still can be used as needed). To set an account as exempt, in the Financial System, go to F1, Budget Account Menu, then F2, Add/Update an Account. Enter the account number and press ENTER. The following screen will be displayed.

```

Yr Fnd F Prog Acctn Objct Loct B      Tran Date  Beg Date  End Date  Final Dt
11  10          11050 11000   10      05 02 11   01 01 11   12 31 11   00 00 00

      - - - - -      - - - - -      - - - - -      - - - - -      - - - - -
      - - - - -      - - - - -      - - - - -      - - - - -      - - - - -
      - - - - -      - - - - -      - - - - -      - - - - -      - - - - -
      :Sub Pay Account, as applicable
      :Coverage Pay Account, as applicable
      :Prof Leave Pay Account, as applicable
Status: M Ty: P Rq App: _ OK?: PO: Py: Bn: _ St: _ WO: _ PM: _ Resp: _
BUDGET ADJUST: _____ Adj: _____ .00 Ori: _____ .00
Reason: CHANGE TO APPROPRIATION
Enter Distribution by Month: Title: FULL-DAY KINDERGARTEN CERT-SAL
January _____ by %: _____ .00
February _____ .00
March _____ .00
April _____ .00
May _____ .00
June _____ .00
July _____ .00
August _____ .00
September _____ .00
October _____ .00
November _____ .00
December _____ .00

```

ENTER=Cont,F6=Del,F8=Grant,F19=% Exp,F21=Adjust Orig Approp,F24=Help,F16=Exit

To set the account as exempt from any pension calculation, enter a 'P' in the 'Py' field (which indicates Pay OK).

Miscellaneous Payroll Enhancements

May 5, 2011 Session 10

Print Benefit History (continued):

This report can be generated in detail format or in summary format. A sample of these reports is provided below.

Sample Detail Report:

F13-5-3 05/02/11 09:45 BENEFIT HISTORY 01/01/11 - 01/31/11 PAGE: 1
* DETAIL *
FND F PROG ACCTN OBJCT LOCT B --- NAME --- DATE CODE EMPLR PYMT EMPLR PYMT
010-0-0000-24100-22206-0010-0 DOE, JOHN 01/05/11 1 265.61
010-0-0000-24100-22206-0010-0 DOE, JOHN 01/20/11 1 265.61
* ACCT TOTALS * 531.22
* FUND TOTALS * 531.22
* CODE TOTALS * 531.22
010-0-0000-23210-22206-0010-0 SMITH, KIM 01/05/11 2 664.84
010-0-0000-23210-22206-0010-0 SMITH, KIM 01/20/11 2 664.84
* ACCT TOTALS * 1,329.68
010-0-0000-23290-22206-0010-0 JONES, BOB 01/05/11 2 664.84
010-0-0000-23290-22206-0010-0 JONES, BOB 01/20/11 2 664.84
* ACCT TOTALS * 1,329.68

Sample Summary Report:

F13-5-3 05/02/11 09:45 BENEFIT HISTORY 01/01/11 - 01/31/11 PAGE: 1
* SUMMARY *
YR FND F PROG ACCTN OBJCT LOCT B CODE EMPLR PYMT EMPLR PYMT
11-010-0-0000-24100-22206-0010-0 1 531.22
* FUND TOTALS * 531.22
* CODE TOTALS * 531.22
11-010-0-0000-23210-22206-0010-0 2 1,329.68
11-010-0-0000-23290-22206-0010-0 2 1,329.68
11-010-0-0000-24100-22206-0010-0 2 21,274.88
11-010-0-0000-25110-22206-0010-0 2 1,329.68
* FUND TOTALS * 25,263.92
11-041-0-0000-27010-22206-0010-0 2 1,329.68
* FUND TOTALS * 1,329.68

New IRS Laws for Healthcare Reporting on W2's

May 5, 2011 Session 11

**IRS Issues Guidance on Informational Reporting of Employer-Sponsored
Health Coverage IR-2011-31, March 29, 2011**

Reporting is voluntary for All employers for 2011 and for small employers for 2012 (less than 250 employees).

The Internal Revenue Service issued interim guidance to employers on informational reporting on each employee's annual Form W-2 of the cost of the health insurance coverage they sponsor for employees. The IRS is also requesting comments on this interim guidance. The IRS emphasized that this new reporting to employees is for their information only, to inform them of the cost of their health coverage, and does not cause excludable employer-provided health coverage to become taxable; employer-provided health coverage continues to be excludable from an employee's income, and is not taxable.

The Affordable Care Act provides that employers are required to report the cost of employer-provided health care coverage on the Form W-2. Notice 2010-69, issued last fall, made this requirement optional for all employers for the 2011 Forms W-2 (generally furnished to employees in January 2012). In this guidance, the IRS provided further relief for smaller employers (those filing fewer than 250 W-2 forms) by making this requirement optional for them at least for 2012 (i.e., for 2012 Forms W-2 that generally would be furnished to employees in January of 2013) and continuing this optional treatment for smaller employers until further guidance is issued.

What transition relief is being provided by Notice-28? To which employers and types of coverage does it apply and how long does it last?

For certain employers and with the respect to certain types of coverage listed below, the requirement to report the value of coverage will not apply to the 2012 Forms W-2 (the forms required for calendar year 2012 that employers generally are required to provide employees in January 2013) and will not apply for future calendar years until the IRS publishes guidance giving at least six months of advance notice of any change to the transition relief. The transition relief applies to the following:

- (1) employers filing fewer than 250 Forms W-2 for the previous calendar year (for example, employers filing fewer than 250 2011 Forms W-2 (meaning Forms W-2 for calendar year 2011, which generally are filed with the SSA in early 2012) will not be required to report the cost of coverage in 2012 Forms W-2 (which generally are filed with the SSA in early 2013);
- (2) multiemployer plans;
- (3) Health Reimbursement Arrangements;
- (4) dental and vision plans that are not integrated into another group health plan;

New IRS Laws for Healthcare Reporting on W2's

May 5, 2011 Session 11

- (5) self-insured plans of employers not subject to COBRA continuation coverage or similar requirements; and
- (6) employers furnishing Forms W-2 to employees who terminate before the end of a calendar year and request a Form W-2 before the end of that year.

What types of health care coverage must be included in the amount reported on the Form W-2?

Employers are required to report the total cost of all "applicable employer-sponsored coverage" provided to an employee. For any employee, "applicable employer-sponsored coverage" is coverage under a group health plan that the employer makes available to the employee that is non-taxable to the employee (or that would be non-taxable if the coverage were employer-provided). Certain types of coverage are excluded from the definition of applicable employer-sponsored coverage and are not included in the amount reported. These types of coverage are:

- (1) coverage for long-term care;
- (2) coverage for the following HIPAA "excepted benefits":
 - coverage only for accident, or disability income insurance, or any combination of these types of coverage;
 - supplemental liability insurance;
 - liability insurance (including general liability insurance and automobile liability insurance);
 - workers' compensation or similar insurance;
 - automobile medical payment insurance;
 - credit-only insurance; and
 - other similar insurance coverage specified in regulations, if the benefits for medical care are secondary or incidental to other insurance benefits.
- (3) any coverage under a separate policy, certificate, or contract of insurance which provides benefits substantially all of which are for treatment of the mouth (including any organ or structure within the mouth) or for treatment of the eye: and
- (4) coverage only for a specified disease or illness and hospital indemnity or other fixed indemnity insurance, if the employee pays the premiums for the coverage of an after-tax basis.

In addition, employers should not include the following amounts in calculating an employer's total cost of coverage:

- (1) the amount contributed to any Archer MSA;
- (2) the amount contributed to any Health Saving Account; and
- (3) the amount of any salary reduction election to a flexible spending arrangement (FSA).

New IRS Laws for Healthcare Reporting on W2's

May 5, 2011 Session 11

What amount should the employer report on the Form W-2 for health coverage? The amount the employer paid? The amount the employee paid? Or both?

In general, the amount reported should include both the portion paid by the employer and the portion paid by the employee. In the case of a health FSA, the amount of any salary reduction contributions. See Notice 2011-28 for more detail on the interim rules that apply to reporting contributions to a health FSA.

Where on the Form W-2 should the employer report the cost of these health care benefits?

The cost of these health care benefits will be reported in Box 12 of the Form W-2, with Code DD to identify the amount.

If an employee leaves an employer during the calendar year, the employer may be required to issue a Form W-2 within 30 days if the employee requests. What amount of health benefits should be reported on the Form W-2 for employees that leave during the year?

Under the transition rules that apply until further guidance, if an employee requests the Form W-2 before the end of the calendar year, the employer is not required to report any amount of health benefits on the Form W-2.

For additional information, refer to the following web site:

<http://www.irs.gov/newsroom/article/0,,id=237870,00.html>