

EB News Flash October 12, 2010: IRS Announces that W-2 Reporting of Health Coverage is Optional for 2011

IRS [Notice 2010-69](#) is short and simple. Here's the bottom line: W-2s issued for 2011 do not need to include the cost of health coverage provided by the employer during the year. Reporting those amounts is optional for coverage provided in 2011, and an employer "will not be subject to any penalties ... merely because it does not report the aggregate cost of employer-sponsored coverage ... on Forms W-2 issued for 2011."

The health care reform law included a requirement that employers report the value of the health coverage that they provide to employees on the W-2s that they issue to employees, and that requirement is set to become effective for W-2s reporting pay during 2011 (i.e., the W-2s that generally will be issued in January 2012). This requirement has been causing considerable confusion as employers begin programming payroll systems for 2011. It has been difficult to identify exactly which coverage and exactly what amounts need to be reported, and guidance on these points was anticipated last week. Instead, the notice explains that relief from the requirement for 2011 "is appropriate to provide employers with additional time to make any necessary changes to their payroll systems or procedures in preparation for compliance with the reporting requirement." Even so, the regulators "anticipate issuing guidance on the reporting requirement ... before the end of this year."

A [draft Form W-2 for 2011](#) has also been released.

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