



## Health Care Law Requires Reporting on W-2s CURRENT AS OF APRIL 7, 2010

### Background

Legislation that would provide medical insurance to millions of currently uninsured Americans and penalize some employers that do not offer coverage was signed into law March 23, 2010 by President Obama.

### New Reporting Requirement

Under the Patient Protection and Affordable Care Act (Pub. L. 111-148), starting in 2011, employers will need to begin reporting on Form W-2 the value of employee health insurance coverage sponsored by the employer, and limit tax-free health flexible spending account amounts to \$2,500 per year. In 2013, an additional 0.9 percent tax on the employee's portion of the Medicare (HI) tax will go into effect when wages generally are more than \$200,000 in a year.

### Noncompliance Penalties

Employers with more than 50 employees that do not offer coverage will be charged \$750 per full-time worker if at least one employee qualifies for a premium subsidy in the exchange. The law increases the assessment to \$2,000 per employee but also subtracts the first 30 employees from the penalty calculation to ensure that the requirement does not create a hiring disincentive.

### Business Tax Credits

A provision added to the legislation allows businesses who have up to 25 employees with average annual wages of less than \$50,000 to be eligible for a sliding-scale tax credit of up to 50 percent if employers buy insurance for workers.

A 100 percent credit is available for employers who have fewer than 10 employees with average wages of less than \$20,000.

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