

CLIENT ALERT

Brought to you by:



W-2 Preparation

As employers/payroll services are generating the W-2's for employees, there are two items that may not be on your radar that need to be included on the W-2's.

COST OF HEALTHCARE – The Affordable Care Act requires employers to report the cost of coverage under an employer-sponsored group health plan. Reporting the cost of health care coverage on the Form W-2 does not mean that the coverage is taxable. The value of the employer's excludable contribution to health coverage continues to be excludable from an employee's income, and it is not taxable. This reporting is for informational purposes only. This is reported Box 12, using Code DD. This only applies to employers who generate 250 or more W-2's. This is the total cost for the employee's coverage for the time period they were insured for, not their contribution.

IMPUTED INCOME – Imputed income is the value of non-monetary compensation given to employees in the form of fringe benefits and is added to gross wages so taxes can be withheld. For the sake of this Client Alert, we will only discuss the imputed income for Employer Paid Life Insurance. To determine if you need to report other types of imputed income please refer to [IRS publication 15-B](#)

IMPUTED INCOME FOR EMPLOYER PAID LIFE INSURANCE

If your life plan is non-discriminatory in nature, you may generally exclude the cost of the first \$50,000 of life insurance when calculating imputed income. So, any employee whose life insurance is less than \$50,000 will have no imputed income. To calculate the imputed income, the life insurance amount over \$50,000 is multiplied by the rates in Table I and then again by the months the employee was insured for. Age is determined by the employee's age on the last day of the year.

If you are unsure if your plan is non-discriminatory or not, please contact our office.

See the next page for Table I and an example.

W-2 Preparation

TABLE I

AGE	Cost per \$1,000
Under age 25	\$0.05
25-29	\$0.06
30-34	\$0.08
35-39	\$0.09
40-44	\$0.10
45-49	\$0.15
50-54	\$0.23
55-59	\$0.43
60-64	\$0.66
65-69	\$1.27
70 and older	\$2.06

Example 1 – Tom is 52 years old, has worked for the entire 2019 calendar year and is insured for \$75,000.

Imputed income will be based on \$25,000
The Rate for Tom at his age is .23/\$1,000

$25,000 \times .23/1000 \times 12 \text{ months} = \69.00

Example 2 – Beth is 39 years old, has worked 7 months in 2019 and is insured for \$92,000.

Imputed income will be based on \$42,000
The Rate for Beth at her age is .09/\$1,000

$42,000 \times .09/1000 \times 7 \text{ months} = \26.46

DISCLAIMER: This e-mail/Client Alert is informational only and is not meant to advise you of your entire obligations for filing W-2 Forms. This information is not considered insurance, legal or tax advice. If you would like more information, please do not hesitate to contact our office, your accountant or your payroll service.