Employer-Sponsored Health Coverage

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 and will provide employees useful and comparable consumer information on the cost of their health care coverage.

Employers that provide "applicable employer-sponsored coverage" under a group health plan are subject to the reporting requirement. This includes businesses, tax-exempt organizations, and federal, state and local government entities (except with respect to plans maintained primarily for members of the military and their families). However, federally recognized Indian tribal governments are not subject to this requirement.

To assist you with this reporting requirement the GMS accounting software has a box located under Payroll, Employee, Employee Entry, Personal Data tab. In this box, you will enter the amount of employer paid health insurance per pay period. For example, if the employer’s cost of health insurance for an employee is $400 per month and that employee is paid semi-monthly, you would enter $200. You would not enter any amount paid via payroll deduction by the employee. These amounts will accumulate in a table and will then print in box 12 on the employee’s W-2 form. For more information, please consult the Help Manual or the IRS website at http://www.irs.gov/ Affordable-Care-Act/Form-W-2-Reporting-of-Employer-SponsoredHealth-Coverage.