

What “Counts” for W-2 and Cadillac Tax

Accounts	W-2 Reporting	Cadillac Tax
HRA	<p>An employer is not required to include the cost of coverage under an HRA in determining the aggregate reportable cost. Thus, if the only applicable employer-sponsored coverage provided to an employee is an HRA, no reporting is required on the Form W-2. (IRS Notice 2011-28 - Transitional Relief).</p>	<p>HRAs are also specified as health insurance coverage and subject to the excise tax on high-cost health insurance plans.</p> <p>For these tax-advantaged accounts, the plan administrator (which is often the employer) would be subject to the excise tax.</p> <p>The excise tax would be levied on each of these components based on their share of the total for health insurance coverage. This share would then be applied to the amount of the total contribution that exceeds the applicable threshold to determine the excise tax imposed on each component. (CRS Report on Health Related Revenue Provisions).</p>
Health FSA	<p>The amount of any salary reduction election to a health FSA is excluded from the aggregate reportable cost and is not reported on Form W-2. (IRS Notice 2011-28).</p> <p>Special rules for Health FSA offered through a cafeteria plan under which optional employer flex credits can be applied are as follows:</p> <ul style="list-style-type: none"> • If the amount of the employee's salary reduction (for all qualified benefits) equals or exceeds the amount of the health FSA for a plan year, then the amount of the employee's health FSA is not included in the aggregate reportable cost. • If the amount of the employee's health FSA for a plan year exceeds the employee's salary reduction for that plan year, then the amount of the employee's health FSA minus the employee's salary reduction election for the health FSA must be included in the aggregate reportable cost. 	<p>Health FSAs are also specified as health insurance coverage and subject to the excise tax on high-cost health insurance plans. (CRS Report on Health Related Revenue Provisions).</p> <p>If the applicable employer-sponsored coverage consists of a health FSA, the cost of that coverage for purposes of determining an employee's excess benefit will be the sum of the employee's salary reduction contributions plus the cost of any reimbursement in excess of the employee's salary reduction contributions. (Code § 4980I (d)(2)(B)).</p> <p>If reimbursements are limited to the amount of the employee's salary reduction contributions, the cost of the health FSA coverage will simply be the dollar amount of the employee's aggregate salary reduction contributions for the year. (Technical Explanation of the Revenue Provisions of the “Reconciliation Act of 2010,” as Amended, in Combination With the “Patient Protection and Affordable Care Act”).</p>
HSA	<p>HSA are included in the definition of applicable employer-sponsored coverage, but they are explicitly excluded from the W-2 reporting obligation. (Code § 4980I (d)(2)(C), added by PPACA § 9001; IRS Notice 2011-28).</p>	<p>HSAs are also specified as health insurance coverage and subject to the excise tax on high-cost health insurance plans. (CRS Report on Health Related Revenue Provisions).</p> <p>If the coverage consists of employer contributions to a HSA, the cost of that coverage will equal the amount of the employer's contributions.</p> <p>If employees make salary reduction contributions to an HSA through the employer's cafeteria plan, those contributions should be considered employer contributions and consistent with the treatment of salary reduction contributions to health FSAs—they should be counted toward the cost of the HSA coverage.</p>