

# W-2 & W-3 Reporting- What's New for 2011?

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## W-2 & W-3 Reporting – What's New for 2011?

Tax laws change every year, impacting many business and personal income tax filings. While the changes do not always affect the amount of employment taxes, they often impact annual federal and Wisconsin W-2 reporting, meaning employers need to know about the changes prior to preparing W-2 forms in January.



### Health Insurance Cost Reporting

The Health Care Act passed in March 2010 included many tax changes that have been/will be implemented from 2010-2015. This includes a requirement for employers to begin reporting the cost of employer-sponsored health coverage starting with the 2012 W-2s. For 2011, employers have the option of providing this information as Code DD was added to box 12 of the 2011 Form W-2 to report the "aggregate reportable cost" of employer-sponsored health coverage. Reporting is mandatory for W-2's issued January 2013 for the calendar year 2012.

Aggregate reportable cost includes amounts paid by both the employer and the employee in addition to employer matching amounts in a health FSA.

The aggregate reportable cost of care specifically excludes the following:

- Cost of coverage under a free standing dental plan or vision plan
- Contributions to Archer MSA's, health savings accounts or health reimbursement accounts
- Salary reduction amounts elected under a health flexible spending arrangement (FSA)

For employees who terminate employment during a calendar year, employers may either include or exclude the cost of post-employment continuation coverage during the year.

Employers who file fewer than 250 forms W-2, will not be required to report costs on any W-2's issued.

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## Advanced Earned Income Credit

The advance earned income credit payment is eliminated for tax years beginning after December 31, 2010, therefore, Box 9, Advance EIC payments has been deleted from the 2011 Form W-2 and W-3.

## Kind of Employer

To improve document matching compliance, Box B of the 2011 Form W-3 has been expanded to include a new section, *Kind of Employer*, which contains five new checkboxes. Filers are required to check one of these new checkboxes. Most employers will check the "None Apply" check box since the employer types relate to charitable and government employers.

## Wisconsin Health Savings Account Reporting

As a reminder, Wisconsin legislators adopted federal deductibility of employee and employer health savings account (HSA) contributions. Prior to 2011, employers were required to include all pre-tax HSA contributions in box 16 as "State wages." Employers will not have this variance in 2011.

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Also, as a reminder, the employee social security withholding percentage is scheduled to return to 6.2% on January 1, 2012. There may be last minute legislative changes to extend the 2% "FICA holiday," and we encourage all employers to stay informed.