



# **Unicorn HRO**

## **W-2 Healthcare Reporting**

### **Overview:**

The Affordable Care Act requires employers to report the cost of coverage under an employer sponsored group health plan. This requirement was made optional by Notice 2010-69 for all employers in 2011. IRS Notice 2011-28 provided further relief by making this requirement optional for smaller employers in calendar-year 2012. You will need to decide if your organization is subject to the W-2 healthcare reporting requirements for 2013, and if so, which of your plans must be reported. Here are some helpful links to IRS web pages:

Affordable Care Act Tax Provisions: <http://www.irs.gov/newsroom/article/0,,id=220809,00.html>

Notice 2010-69 for interim relief: <http://www.irs.gov/pub/irs-drop/n-2010-69.pdf>

Notice 2011-28 for interim guidance: <http://www.irs.gov/pub/irs-drop/n-11-28.pdf>

Frequently asked questions: <http://www.irs.gov/newsroom/article/0,,id=237894,00.html>

### **Calculation of Healthcare Amount:**

The system will calculate the W-2 healthcare cost for each employee as follows:

*Scenario A: Employee has Misc. Payroll record for only one Legal Entity for the selected year and no Common Paymaster exists*

- If the Health Coverage Option in Misc. Payroll is “Do Not Report Health Coverage”, nothing will be reported on the W-2.
- If the Health Coverage Option in Misc. Payroll is “Use Health Coverage Override Amount”, the override amount will be reported on the W-2.
- If the Health Coverage Option in Misc. Payroll is “Use System Calculation”, the system will go to Benefit History to find the benefit plans that are set up to Report Cost On W-2 (in Benefit Plans), and will get the later of the eligibility date, enrollment date, or January 1 of the selected year. If a Coverage End Date exists, coverage will only be calculated up until that date; otherwise, it will be calculated until December 31. The system will use these dates to calculate the employee’s benefit plans for each day of the year.
  - After the dates of coverage are determined, the system will go to Benefit Plans to see if any W-2 Healthcare Costs have been entered. If they exist, the system will calculate the amount of coverage using these costs according to their effective dates.
  - If no W-2 Healthcare Costs exist for the employee’s benefit plan(s), the system will use the costs set up for the Benefit Plan(s). Note that Cost records at the end of the selected year will be ignored if they have an Effective Date equal to or greater than the Pay Period End Date that has the first Check Date in the next year. For example, if there is a Benefit Cost record dated 12/28/2013, and the employee’s first Check Date in 2014 is 1/2/2014 with a Pay Period End Date of 12/27/2013, the 12/28/2013 Benefit Cost record will be ignored for purposes of calculating the employee’s W-2 healthcare amount. The previous Benefit Cost record will be used up until 12/31/2013.

- After the cost per day has been determined, the system will add up the amounts to arrive at the total amount for the year.

*Scenario B: Employee has Misc. Payroll record for more than one Legal Entity for the selected year and no Common Paymaster exists*

- If the Health Coverage Option in Misc. Payroll is “Do Not Report Health Coverage”, nothing will be reported on the W-2 for that legal entity.
- If the Health Coverage Option in Misc. Payroll is “Use Health Coverage Override Amount”, the override amount will be reported on the W-2 for that legal entity.
- If the Health Coverage Option in Misc. Payroll is “Use System Calculation”, the system will go to Deduction Accumulators for each legal entity. Since Benefit History is not associated with a legal entity, deduction information is used in this situation. The year-to-date employee and employer amounts, as well as any amounts in arrears for deductions that are linked to benefits marked as “Report Cost on W-2” will be totaled per legal entity and reported on the W-2.

*Scenario C: Employee works for a company that is part of a Common Paymaster agreement*

- The amount for each legal entity will be determined according to the methods described in Scenario B. The amounts for all legal entities will be totaled and reported for the common paymaster legal entity.
  - If the Health Coverage Option in Misc. Payroll is “Use Health Coverage Override Amount”, the override amount for that legal entity will be used.
  - If the Health Coverage Option in Misc. Payroll is “Use System Calculation”, the system will total the Deduction Accumulator year-to-date and arrears amounts.

**Set-up:**

In Benefit Plans, define the plans that will be offered to employees. Enter benefit costs and specify the employee and/or employer deductions that are associated with each plan.

For each benefit plan that must be reported on the W-2, select the Report Cost On W-2 checkbox.

**Update Benefit Plans**

\* = Required

\* Group: F/T Employees      \* Category: Medical

\* Plan: Medical      \* Option: EE + Family

Click on each tab to enter information about the benefit plan. When you have entered all information, click on the Submit button to save the data. The system will also save the benefit plan when you click on either the Zip Code Availability or Benefit Costs tabs.

Plan Definition    Coverage Calc.    Eligibility    G/L & Admin. Costs    On-Line Enroll. Options    Zip Code Avail.    Benefit Costs

**Plan Definition:**

\* Carrier: Aetna      Policy ID:

Active       Defined Contribution

Taxable Group Term Life Insurance       Medical Coverage for State New Hire Reporting Purposes

Allow beneficiaries to be specified       Display plan on Benefit Statement

Maximum HSA Contribution Allowed:

**Costing:**

Use pay frequency to calculate deduction      Cost Method: Amount

Cost by age      Employee Deduction: Medical

Cost by smoker status      Employer Deduction: Medical

Report cost on W-2

submit    cancel

If your organization is not required to report healthcare amounts on W-2s, do not mark any benefits as Report Cost On W-2.

In Benefit Enrollment, enroll employees in their plans.

If the costs in any of the W-2 reportable Benefit Plans fall into one or more of the following areas, define Health Costs for those benefits:

- Costs are specified by age range
- Costs are specified by smoker status
- Separate costs by dependents are specified
- Costs change during the calendar year
- Costs are different than the amount required to be reported on the W-2, per IRS rules

Click on the Health Costs button next to the applicable plan. The Health Costs button will only appear for benefit plans marked as Report Cost On W-2.

+ add

\*Benefit Group: F/T Employees  Include Inactive Plans

To update, click on information in the left column.

Benefit Category	Benefit Plan	Benefit Option	Cost Method	Action
Dental	Dental	EE + Children	Amount	view  delete
Dental	Dental	EE + Sp + Child	Amount	view  delete
Dental	Dental	Employee Only	Amount	view  delete
Dental	Dental	Family Plan	Amount	view  delete
Dependent Life	Dependent Life.	Dependents Only	Amount	view  delete
Life Ins. 2	1X Salary	Age Costed	Amount	view  delete
Life Ins. 2	Life Insurance	Smoker Rates	Amount	view  delete
Life Insurance	Life Insurance	Main Plan	Amount	view  delete
Medical	High Ded. Med.	Family	Amount	view  delete  health costs
Medical	High Ded. Med.	Single Plan	Amount	view  delete  health costs
Medical	Medical	EE + Children	Amount	view  delete  health costs
Medical	Medical	EE + Family	Amount	view  delete  health costs
Medical	Medical	EE + Sp + Child	Amount	view  delete  health costs

+ add

Enter the effective date and end date for when this cost is in effect. Enter the annual value of the benefit in the Health Cost field, including what the employer and/or employee are paying for the benefit. Below is an example.

Add W-2 Healthcare Cost			
* = Required			
Benefit Group:	F/T Employees	Option:	Main Plan
Plan:	Medical		
*Effective Date:	<input type="text" value="01/01/2013"/>		
End Date:	<input type="text" value="12/31/2013"/>	Health Cost:	<input type="text" value="12500.00"/>
<input type="button" value="→ submit"/> <input type="button" value="cancel ←"/>			

If you do not track benefits in iCON, or if you need to override specific employee amounts for any other reason, the W-2 healthcare coverage amount must be entered in Misc. Payroll. In the Health Coverage Option field, select “Use Health Coverage Override Amount” and enter the amount in the field provided. See the example shown below. This information can be entered manually, or you may use the W-2 Healthcare Coverage Import function to populate this field.

W-2 Information:			
Retirement Plan:	<input checked="" type="radio"/> Yes <input type="radio"/> No	Statutory Employee:	<input type="radio"/> Yes <input checked="" type="radio"/> No
Deceased:	<input type="radio"/> Yes <input checked="" type="radio"/> No	W-2C Generated:	<input type="radio"/> Yes <input checked="" type="radio"/> No
Available on ESS:	<input checked="" type="radio"/> Yes <input type="radio"/> No	Dependent Care Amount:	<input type="text" value="0.00"/>
Pension Start Date:	<input type="text"/>		
Health Coverage Option:	<input type="text" value="Use Health Coverage Override Amount:"/>	<input type="text" value="9500.00"/>	

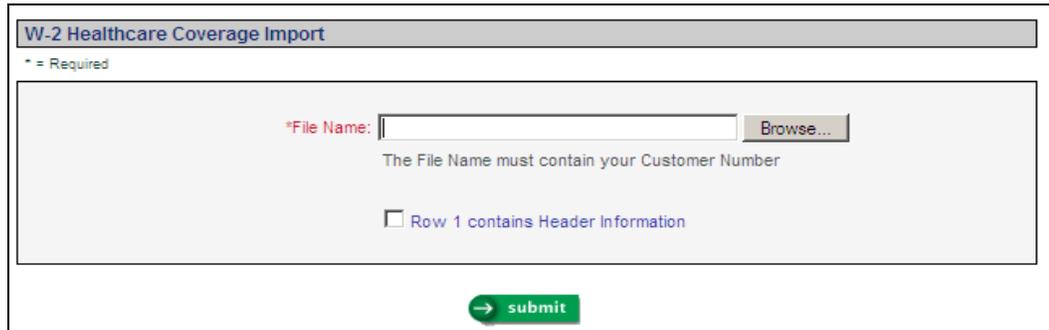
## W-2 Healthcare Coverage Import:

Use this function to upload a file to update the Healthcare Coverage Override Amount in Misc. Payroll.

The file may contain one header row, but it is not required. If you wish to use a header row, enter the following headings in this order: Employee#, LegalEntity, TaxYear and HealthCoverageAmount. Enter the field names in the header row, separated by a comma. All four columns are mandatory.

If any data values start with a zero, such as employee number or legal entity code, format the cells for these fields as Text (or another applicable format) in Excel so that any leading zeroes are stored.

To import W-2 healthcare coverage amounts, click on the Browse button to select the file you wish to import. The file name must contain your Customer Number and it must be in the .csv format. Click on Submit to begin the process. The job will be sent to the job server. When the job completes, check the W2HealthCovImport report in Report Master Listing. If no errors were found, the report will show the data that was imported. If any errors are found, the report will tell you which employees were affected and the reasons for the errors. No records will be imported if there are any errors. Correct the data and import the file.



The screenshot shows a web form titled "W-2 Healthcare Coverage Import". At the top left, there is a legend: "\* = Required". The main form area contains a red asterisk followed by "File Name:" and an empty text input field. To the right of the input field is a "Browse..." button. Below the input field, there is a note: "The File Name must contain your Customer Number". Underneath this note is a checkbox labeled "Row 1 contains Header Information". At the bottom center of the form is a green "submit" button with a right-pointing arrow.

When no errors are found, the report will include the employee number, employee name, legal entity, tax year and health coverage amount.

The fields on the file must be in the following order.

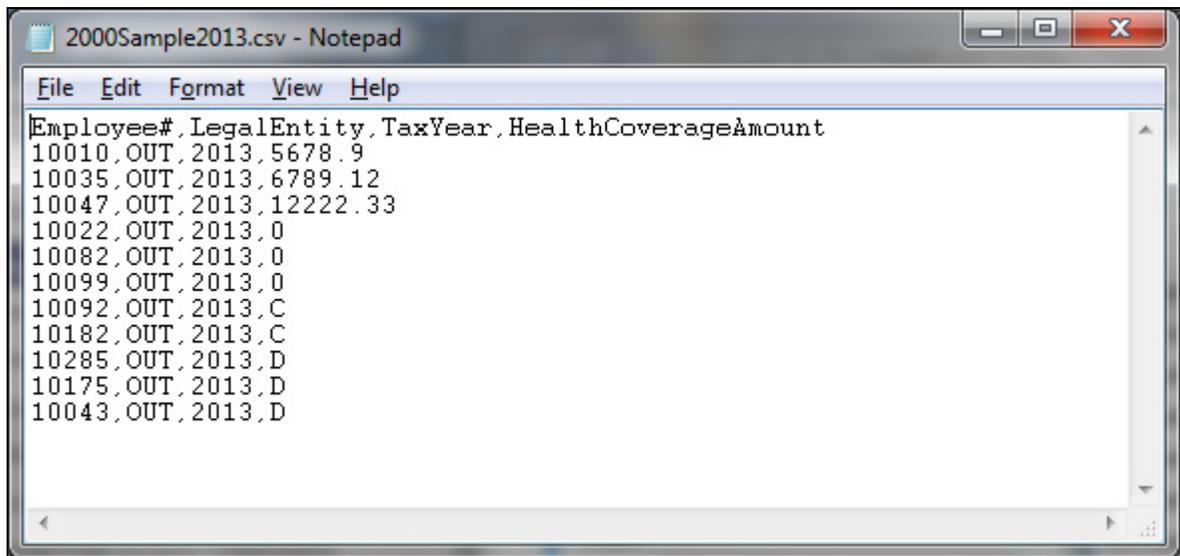
- Employee Number
- Legal Entity Code
- Tax Year
- Health Coverage Amount

If you want to change an employee's Health Coverage Option to "Use System Calculation" and clear any Coverage Amount override that may exist, enter either 0 (zero) or C in the Health Coverage Amount field.

If you wish to change an employee's Health Coverage Option to "Do Not Report Health Coverage", enter D in the Health Coverage Amount field.

If you enter an amount in the Health Coverage Amount field of the import file, it will change the Health Coverage Option to Use System Calculation if necessary.

Here is an example of a file to be imported:



```
2000Sample2013.csv - Notepad
File Edit Format View Help
Employee#,LegalEntity,TaxYear,HealthCoverageAmount
10010,OUT,2013,5678.9
10035,OUT,2013,6789.12
10047,OUT,2013,12222.33
10022,OUT,2013,0
10082,OUT,2013,0
10099,OUT,2013,0
10092,OUT,2013,C
10182,OUT,2013,C
10285,OUT,2013,D
10175,OUT,2013,D
10043,OUT,2013,D
```

## **W-2 Healthcare Cost Report:**

To see how the system will calculate the healthcare amounts, you may run the W-2 Healthcare Cost Report at any time. Based on the Selection Criteria, the report will print all employees who have a record in Misc. Payroll for the selected legal entity and tax year. The report will calculate the healthcare cost amount that is expected to be printed on the W-2 form. Note that this amount may change between the time the report is printed and the time that W-2 forms and files are generated. It is recommended that you run this report well in advance of creating W-2s in order to verify that the system is set up correctly.

### ***Information Provided in the Report***

The report displays the following information for each employee:

- Employee number
- Employee name
- Healthcare cost

A total amount of all healthcare costs is provided for each legal entity that was selected.

### ***Procedure***

- 1) At the Legal Entity field, click on one or more legal entities that you want to work with. Note that the system uses Legal Entity Authorization to determine which legal entities are displayed in the list.
- 2) At the Payroll Processing Group field, click on the down-arrow and select the one you want to work with. If you don't select a payroll processing group, all groups will be included in the report.
- 3) At the Tax Year field, click on the down-arrow and select the one you want to work with.
- 4) Select a sort option, either Employee Name or Employee Number.
- 5) Select the PDF Report, CSV File or both.

The screenshot shows a web-based form titled "W-2 Healthcare Cost Report". At the top left, there is a legend: "\* = Required". The form is divided into a "Select Report Parameters:" section. The parameters are as follows:

- \*Legal Entity:** A multi-select list containing "Allen Beverage", "Cheesecake Fac.", "Discovery", and "Fort Hays Inc.". There are "Select All" and "Unselect All" buttons to the right of the list.
- Payroll Processing Group:** A dropdown menu currently showing "\*no value".
- \*Tax Year:** A dropdown menu currently showing "2013".
- \*Report ID:** A text input field containing "W2HealthcareCost".
- Sort by Employee Name:** A radio button that is selected.
- Sort by Employee Number:** An unselected radio button.
- \*Output Options:** Two checkboxes: "PDF Report" (checked) and "CSV File" (unchecked).

At the bottom of the form, there are two buttons: a green "submit" button with a right-pointing arrow and a red "cancel" button with a left-pointing arrow.

## Sample Report

A sample section of the report is shown below.

<b>Date:</b> 12/02/2013	<b>W-2 Healthcare Cost Report</b>	<b>Page:</b> 1
<b>Time:</b> 11:27:29	<b>For Tax Year 2013</b>	<b>User:</b> carol
<b>Legal Entity:</b> Kohrs Ice Cream		
<b>Employee Number</b>	<b>Employee Name</b>	<b>Healthcare Cost</b>
1702006	Alvarez, Elba	0.00
322	Arriana, Martha	15,200.00
3102	Axt, Charles	13,100.00
3101	Barlow, Xander	13,100.00
1702036	Barnett, Alan	15,200.00
3301	Bartholomew, John	13,100.00
1703011	Blackman, Kenneth	15,200.00
1702024	Bogert, Allison	3,600.00
453	Boonstra, Noah	0.00
170NJ91	Borden, Alexander	8,300.00
1702010	Bradley, Joanna	3,600.00

## Sample CSV File

If you need to use the W-2 Healthcare Coverage Import function for many employees, you may first wish to create the CSV file from the W-2 Healthcare Cost Report, since the columns are arranged in the necessary order for the import. You will need to delete the three name columns before importing the data; these columns are shown for identification purposes only when working with the CSV data. A sample section of the file is shown below.

	A	B	C	D	E	F	G
1	Employee Number	Legal Entity	Tax Year	Health Coverage Amount	First Name	MI	Last Name
2	1702006	KOHR	2013	0	Elba		Alvarez
3	322	KOHR	2013	15,200.00	Martha		Arriana
4	3102	KOHR	2013	13,100.00	Charles		Axt
5	3101	KOHR	2013	13,100.00	Xander		Barlow
6	1702036	KOHR	2013	15,200.00	Alan		Barnett
7	3301	KOHR	2013	13,100.00	John		Bartholomew
8	1703011	KOHR	2013	15,200.00	Kenneth		Blackman
9	1702024	KOHR	2013	3,600.00	Allison		Bogert
10	453	KOHR	2013	0	Noah		Boonstra
11	170NJ91	KOHR	2013	8,300.00	Alexander		Borden
12	1702010	KOHR	2013	3,600.00	Joanna		Bradley

**W-2 Processing:**

When you are ready to create W-2 forms and files, go to the W-2 Data Generation function. If an employee has a healthcare coverage amount, it will print in Box 12 Code DD on the federal W-2 form, and in Box 6A of the Puerto Rico 499R-2/W-2PR form. The amount will be written to the federal W-2 file on the RW and RT records. It will also be written to state and local files that follow the federal format.

You may create W-2 forms at any time; this process does not update any data.

**W-2 Data Generation**

\* = Required

Magnetic Media       Forms       Summary

\*Report ID: W-2Report Additional Options

One Employee:

8 1/2 X 11:

Pressure Seal (8 1/2 X 14):

Puerto Rico Only: Code:

Sequence Number From: 000000000 To: 000000000

\*Tax Year: 2013

Legal Entity: Fort Hays Inc.  
Harris Golf  
Kohrs Ice Cream  
Marco I. Marina  
N.J. Cards

Payroll Processing Group: \*no value

→ submit cancel ←

### **Action Items:**

Follow these steps to set up your system to report healthcare amounts:

1. Determine if your organization must report healthcare amounts on W-2s.
2. If so, determine which of the methods you will use:
  - a. Benefit History
  - b. Health Costs entered in Benefit Plans
  - c. Override amounts in Misc. Payroll
3. If you will use enrollment information stored in Benefit History, indicate the Benefit Plans to be reported by selecting the Report Cost On W-2 checkbox.
4. If you need to enter separate Health Costs for any of your plans, indicate the Benefit Plans to be reported by selecting the Report Cost On W-2 checkbox, and also enter the Health Costs with the applicable effective dates.
5. Run the W-2 Healthcare Cost Report and verify that the amounts are being calculated correctly.

Throughout the year, when an employee's benefit coverage ends, you must enter the Coverage End Date in Benefit Enrollment. The system uses the greater of the Enrollment Date or Eligibility Date to determine when the employee's coverage began (or January 1 of the selected year, whichever comes later). It will use the Coverage End Date to determine when the coverage ended. These dates in Benefit History are the key to determining the employee's coverage in the Benefit Plan(s) marked as Report Cost on W-2.

Prior to creating W-2s, enter the Health Coverage Override amount for any employees whose Benefit History amounts cannot be used for W-2 reporting.