



Wespath

BENEFITS | INVESTMENTS

IRS W-2 Reporting Responsibilities for Employers (HealthFlex Plan Sponsors)

Guide for Church Treasurers and Payroll Administrators— W-2 Reporting Requirements

Health Savings Accounts (HSAs)

Employers are required to report two types of contributions to HSAs on *Form W-2*:

1. Employer HSA contributions [includes contributions embedded in the HealthFlex H1500 and H2000 plan designs, i.e., HealthFlex high-deductible health plans (HDHPs)]
2. Employee contributions: any pre-tax HSA contributions deducted from the employee's salary using a section 125 (cafeteria) plan

Form W-2 Reporting: Report in **Box 12—use code W “Employer contributions.”** HSA contributions are not taxable income, but must be reported.

Dependent Care Flexible Spending Accounts (DCFSA)s

*Dependent care DCFSA*s (also called “dependent care accounts” or DCAs)—**must be reported.**

Form W-2 Reporting: Report the amount of salary-reduction contributions elected by the employee** in **Box 10 “Dependent Care Benefits.”**

Note: Cafeteria plan health care flexible spending accounts (also called “medical reimbursement accounts” or MRAs) are not taxable income and are not reported on the employee's *IRS Form W-2*.

Please note that the amount in Box 1 (“Wages, Tips and Other Compensation”) will be less than it otherwise would be, since the employee is receiving less compensation as a result of the salary reductions for health care and dependent care FSAs.

Health Reimbursement Accounts (HRAs)— No W-2 Reporting Requirements

HRAs are funded solely by the plan sponsor; employees may not make contributions to their HRA. Contributions to an HRA are not included in the employee's income and are not reported on the *IRS Form W-2*. Employees do not pay federal income taxes or employment taxes on the contributions made to their HRA.

Affordable Care Act: Health Care Cost W-2 Reporting— No Reporting Required During Transition Relief

Starting with the tax year 2011, the Affordable Care Act required employers to report the aggregate cost of coverage under an employer-sponsored group health plan on *Form W-2*. For church plans, however, there was and continues to be transition relief from the requirement to report the value of coverage. Thus, employers that participate in HealthFlex do not have to report the cost of coverage on the *W-2* at this time.

** Technically, the employer should report the total reimbursements to the employee from the dependent care account for dependent care assistance provided during the year, but since HealthFlex allows a run-out period for submission of claims, and since the *W-2* is generally due by January 31, the IRS has indicated that employers may estimate a reasonable amount; in the case of a salary reduction cafeteria plan like HealthFlex, the amount of salary reductions (plus, any DCAP matching or seed contributions from the employer, if applicable,) is considered to be a reasonable estimate.



HealthFlex plans include three types of contributions to reimbursement accounts that require *W-2* reporting to the Internal Revenue Service (IRS) by the employer:

- 1 HSAs* employer contributions
- 2 HSAs* employee contributions
- 3 FSAs* dependent care flexible spending accounts only

This document outlines the employer *W-2* reporting requirements for these contributions. Employers that have even one participant who has elected a HealthFlex plan with one of these contributions should complete this *W-2* reporting. All reporting should be completed on *IRS Form W-2*, unless indicated otherwise.

* HSAs—health savings accounts
FSAs—flexible spending accounts

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