

# Affordable Care Act: Health Plan Information on W-2's

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# Objectives

- Overview of the Affordable Care Act
- Sage Abra Setup
- Important Websites
- Q & A



# Affordable Care Act Overview

- Patient Protection and Affordable Care Act of 2010 (the Affordable Care Act)
- Section 6051(a)(14)
  - “Report aggregate cost of applicable employer-sponsored health coverage on Form W-2”
- Notice 2010-69
  - Stipulated 6051(a)(14) Not Required for 2011
- **Notice 2011-28**
  - Interim Guidance



# Affordable Care Act Overview

- Informational Only
- Does Not Change Taxation of Coverage
- Effective for 2012 Tax Year
- Optional for 2011 W-2's
- ALL employers that provide coverage are required, except...



# Affordable Care Act Overview

- Exceptions to this Change:
  - Employers with < 250 W-2's in 2011
  - Multiemployer plans
  - HRA's
  - Dental/Vision plans not integrated into group health plan
  - Self-Insured plans not subject to COBRA
  - Form W-2 provided to terminated employee before end of year
  - Plans provided to members of the military





# Affordable Care Act Overview

- What Is Included?
  - Total Cost of All “applicable employer-sponsored coverage”
  - Include both the employer and employee portions
  - Include pre-tax and after-tax contributions
  - For FSA’s, Include Just the Employer Portion
- Cost is reported in Box 12, Code DD



# Affordable Care Act Overview

- What Is Excluded?
  - Long Term Care Coverage
  - Archer MSA
  - HSA Contributions
  - FSA Employee Contributions
  - Any Coverage Described in § 9832(c)(1) :
    - Accident, or Disability Income Insurance
    - Liability Insurance
    - Supplement to Liability Insurance
    - Workers' Compensation Insurance



# Affordable Care Act Overview

- Methods to Calculate Reportable Cost:
  1. COBRA Applicable Premium Method
  2. Premium Charged Method
  3. Modified COBRA Premium Method
- Consistent Method Per Plan
- Interim Guidance on Notice 2011-28
  - Examples of Self-Funded Plans
  - Calculation Examples





# Affordable Care Act Overview

- Example 1:
  - Total Single Coverage is \$500/month
  - Employee has Single coverage all year
- Solution:
  - $\$500 \times 12 = \$6,000$  reported on W-2



# Affordable Care Act Overview

- Example 2:
  - Total Single Coverage is \$500/month
  - Coverage increases to \$520 on October 1
  - Employee has Single coverage all year
- Solution:
  - $\$500 \times 9 = \$4,500$
  - $\$520 \times 3 = \$1,560$
  - \$6,060 reported on W-2



# Affordable Care Act Overview

- Example 3:
  - Total Single Coverage is \$500/month
  - Total Family Coverage is \$1,000/month
  - EE has Single Coverage January 1 – June 30
  - EE has Family Coverage July 1 – December 31
- Solution:
  - $\$500 \times 6 = \$3,000$
  - $\$1000 \times 6 = \$6,000$
  - \$9,000 reported on W-2



# Sage Abra Setup

- TO DO NOW: Change Types for Deductions
  - Setup > Payroll > Deduction Codes
  - Three New Deduction Types:
    - Section 125 Code DD
      - EE W/H and ER Match Amounts
    - Medical Post-Tax Code DD
      - EE W/H and ER Match Amounts
    - Medical Flex Spending Account Code DD
      - ER Match Amounts only



# Sage Abra Setup

Deduction Codes Detail - Enterprise

Code: TEST Description: Test 125

General	Employer Match	Earnings Basis	General Ledger
Deduction Type	Section 125 Code		
Withholding Cycle	W/h all Periods, Ex	Accumulate Arrears	<input type="radio"/> Yes <input checked="" type="radio"/> No
Calculation Rule	Flat Amount	Deduct Arrears When Inactive	<input type="radio"/> Yes <input checked="" type="radio"/> No
Standard Deduction	0.0000	Withhold In All Checks	<input type="radio"/> Yes <input checked="" type="radio"/> No
System Deduction Limit	[Not Linked]	Automatic Setup	<input type="radio"/> Yes <input checked="" type="radio"/> No
Deduction Goal	9999999.99	Automatic Allocation	<input type="radio"/> Yes <input checked="" type="radio"/> No
Annual Compensation Limit	9999999.99	Automatically Reset Balance Amount at Year End	<input type="radio"/> Yes <input checked="" type="radio"/> No
Withholding Priority	12	Payee Identifier	



# Sage Abra Setup

- Enter New 2012 HR Benefit Rates
  - Setup > Employees > Benefit Insurance Plans
  - Setup > Employees > Benefit Savings Plans
  - Setup > Employees > Rate Tables Setup
  - EE Contribution and ER Match





# Sage Abra Setup

Benefit Rate Table Setup Detail - Enterprise

Code: MED RATE      Description: Medical Rates/ Dependents

Column 1	Column 2	Column 3	Rate Table
Order	Insured Spouse	Insured Child	Rate
1	0	0	0.00
2	1	0	130.00
3	0	1	150.00
4	1	1	180.00
5	0	99	210.00
6	1	99	215.00

Buttons: Add, Delete, Previous, Next, Copy Table, OK, Cancel, Apply



# Sage Abra Setup

Benefit Insurance Plans Detail - Enterprise

Code: HMO      Description: HMO Medical

Other Calculated Amount	Standard Eligibility	Custom Eligibility	Dependent Coverage	
General	Coverage Amount	Employee Premium	Dependent Premium	Employee Contribution

Monthly Employee Premium

MED RATE

Available Rate Tables

- 401(K) %
- GTL - WK
- GTL-BW
- LTD
- MED RATE**
- MED RATE 1
- PPODEP
- SPOUSE AGE

Expression Builder...

Previous    Next    Copy Plan    OK    Cancel    Apply



# Sage Abra Setup

- Link Deduction to HR Benefit
  - Setup > Payroll > Payroll Setup
    - “Post Benefit Updates from HR” – Yes
  - Setup > Payroll > Deduction Codes
    - HR Benefit Code on Employer Match Tab




# Sage Abra Setup

Deduction Codes Detail - Enterprise

Code: TEST Description: Test 125

General | **Employer Match** | Earnings Basis | General Ledger

HR Benefit Code: Test 125   Always Compute Employer Match in Payroll

Dollar/Percent Match: Amount

Employer Match: 0.00

Employer Max Contrib: 0.00



# Sage Abra Setup

- Configure Benefit for Employees:

Personal Job and Pay **Benefits** Time Off Payroll Safety Career Custom

Insurance Benefits Savings Benefits Dependents and Beneficiaries Wellness

Insurance Benefits - ZSI/ABC SYSTEMS, INC

**Employee** Donald A Adams **SSN** XXX-XX-8027 **Status** Active Employee 02/10/1993 **ID Number** 101

Find First Previous Next Last

Show All Benefit Plans  Show Current Plans Only  Include History Records

Benefit	Effective	Expiration	Coverage	Emp Prem	Dep Prem	Contrib	Per	Other Amt
+ AD+D	01/01/2000	12/31/2099	0	15.65	0.00	3.91 M		0.00
+ DENTAL	01/01/2003	12/31/2099	1500	18.00	15.00	16.50 M		0.00
+ DRUGS	01/01/2003	12/31/2099	0	16.23	21.00	21.00 M		0.00
+ GTW-BW	01/01/2000	12/31/2099	310000	71.30	0.00	0.00 M		27.60
+ HMO	01/01/2003	12/31/2099	1000000	270.00	215.00	125.67 M		0.00
+ LIFE-BW01	01/01/2003	12/31/2099	50000	7.50	0.00	2.00 B		0.00
+ LTD	01/01/2000	12/31/2099	7734	16.00	0.00	0.00 M		0.00
+ TEST	01/01/2011	12/31/2099	0	500.00	0.00	100.00 M		0.00
+ VISION	01/01/2003	12/31/2099	300	24.00	18.30	14.10 M		0.00



# Sage Abra Setup

- When Processing Payroll, the Deduction will Accumulate:
  - YTD EE W/H
  - YTD ER Match
- Database – PRDEDS
- Fields – YTDAMOUNT, YTDEMPLYR





# Sage Abra Setup

Personal Job and Pay Benefits Time Off **Payroll** Safety Career Custom

Payroll Status Payroll History Check/Payment History Deductions Other Earnings Accruals Child Support EFT Tax Withholdings Direct Deposit Labor Allocations Labor History

Payroll History - ZSI/ABC SYSTEMS, INC

**Employee** Donald A Adams **SSN** XXX-XX-8027 **Status** Active Employee 02/10/1993 **ID Number** 101

Find First Previous Next Last

Display Type  Earnings  Taxes  Deductions

Code	Description	Mtd	ArQtd	Ytd	Amount	Goal	Balan	Annual	CAnnual	Arrears	Mtd Match	Qtd Match	Ytd Match
0001	401(k) %Plan	0.00	0.00	0.00	5500.00	30.00	0.00	0000.00	000.00	0.00	0.00	0.00	0.00
0007	401(k) CU	0.00	0.00	0.00	5500.00	30.00	0.00	0000.00	000.00	0.00	0.00	0.00	0.00
0023	Standard Life	6.00	4.00	40.00	3999.99	37.99	0.00	19999.99	467.20	0.00	4.38	10.22	29.20
0024	BW Life Ins	0.00	0.00	0.00	3999.99	39.99	0.00	19999.99	012.39	0.00	0.00	0.00	0.00
0026	AD&D	5.40	2.60	36.00	3999.99	38.19	0.00	19999.99	467.20	0.00	16.26	37.94	108.40
0027	Long Term Dis	0.00	0.00	0.00	3999.99	39.99	0.00	19999.99	467.20	0.00	0.00	0.00	0.00
2500	HMO	88.52	9.88	1256.80	3999.99	30.63	0.00	19999.99	156.21	0.00	539.01	1257.69	3593.40
2502	Dental	22.86	3.34	152.40	3999.99	34.84	0.00	19999.99	156.21	0.00	22.86	53.34	152.40
2503	Vision	19.53	5.57	130.20	3999.99	15.23	0.00	19999.99	156.21	0.00	39.06	91.14	260.40
2505	Prescriptions	29.07	7.83	193.80	3999.99	32.67	0.00	19999.99	156.21	0.00	22.47	52.43	149.80
TEST	Test 125	46.15	6.15	46.15	3999.99	53.84	0.00	19999.99	023.01	0.00	184.62	184.62	184.62



# Sage Abra Setup

- At 2012 Year End, W-2 will print correctly:

Z Systems Inc.		Pre-Close W-2 Report	
		Tax Year 2013	
		Kind of Payer: 941	
Employer's identification number 521755757	1 Wages, tips, other compensation	2 Federal income tax withheld	
	9459.64	1545.68	
<b>Employer's name, address and ZIP code</b>	3 Social security wages	4 Social security tax withheld	
ZSI/ABC SYSTEMS, INC	11266.48	473.20	
523 VALLEY VIEW DRIVE	5 Medicare wages and tips	6 Medicare tax withheld	
	11266.48	163.36	
SAN JOSE, CA 95014	7 Social security tips	8 Allocated tips	
	0.00	0.00	
Employee's social security number 232-09-8027	9 Advance EIC payment	10 Dependent care benefits	
	0.00	0.00	
<b>Employee's name, address and ZIP code</b>	11 Nonqualified plans	12 See instructions for box 12	
Donald A. Adams	0.00	12a DD	11266.48
1000 Bay View Court	13 Statutory employee Retirement plan Third-party sick pay	12b D	1689.98
Apt B-4	X	12c	0.00
San Jose CA tttttt	14 Other	12d	0.00
15 State Employer's state ID No	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.
			11266.48
			90.14
			VPDI



# Sage Abra Setup

- Non-HR Customers
  - Enter ER Match as a Calculation in Deduction
  - Setup > Payroll > Deduction
  - ER Match Tab



# Sage Abra Setup


Deduction Codes Detail - Enterprise

Code: 2500      Description: HMO

General      Employer Match      Earnings Basis      General Ledger

HR Benefit Code: [Not Linked]       Always Compute Employer Match in Payroll

Dollar/Percent Match: Amount

Employer Match: 0.00 

Employer Max Contrib: 0.00

Previous      Next      OK      Cancel      Apply



# Sage Abra Setup

- Non-HR Customers/Fixes
  - Manually Edit YTD Box 12 DD figures at year-end
    - Payroll > Tasks > Edit Payroll History
    - Select Deductions to edit
  - Manually Edit 2012 W-2
    - Payroll > Processes > Edit Quarter/Year End Forms



# Sage Abra Setup

- Editing Payroll History

Deductions for Donald A Adams

Description	HMO	MTD Amount Withheld	46.62
Code	2500	MTD Employer Match	87.23
Goal Balance	9993804.63	QTD Amount Withheld	46.62
Arrears Amount	0.00	QTD Employer Match	87.23
Annual Comp Balance	9707214.32	YTD Amount Withheld	46.62
		YTD Employer Match	87.23

Previous Next OK Cancel Apply





# Sage Abra Setup

- Editing Quarter/Year End Forms

W-2 Form for Adams, Donald A. ✖

Wages and Withholdings				Name and Address			
1. Wag,tips,other com.	2. FIT withheld	3. Soc security wages	4. Soc sec tax withheld				
<input type="text" value="82528.08"/>	<input type="text" value="14404.34"/>	<input type="text" value="96925.66"/>	<input type="text" value="6009.36"/>				
5. Med. wages & tips	6. Med. tax withheld	7. Soc security tips	8. Allocated tips				
<input type="text" value="96925.66"/>	<input type="text" value="1405.36"/>	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>				
9. Advance EIC	10. Dep. care benefits	11. Nonqualified plans	12. See instrs (Box 12)				
<input type="text" value="0.00"/>	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>	a <input type="text" value="C"/> <input type="text" value="774.72"/>				
13. Statutory employee <input type="checkbox"/>	14. Other Sect457	<input type="text" value="0.00"/>	b <input type="text" value="D"/> <input type="text" value="13462.70"/>				
Retirement plan <input checked="" type="checkbox"/>	<input type="text"/>	<input type="text" value="0.00"/>	c <input type="text" value="CC"/> <input type="text" value="0.00"/>				
Third-party sick pay <input type="checkbox"/>	<input type="text"/>	<input type="text" value="0.00"/>	d <input type="text" value=""/> <input type="text" value="0.00"/>				
15.State Employer state ID no	16. State Wages, tips,	17. State Income Tax	18. Loc wages, tips,	19. Local Income Tax	20. Locality		
<input type="text" value="CA"/> <input type="text" value="45444547"/>	<input type="text" value="1330.72"/>	<input type="text" value="0.00"/>	<input type="text" value="48462.83"/>	<input type="text" value="405.93"/>	<input type="text" value="VPDI"/>		
<input type="text"/>	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>	<input type="text" value="48462.83"/>	<input type="text" value="405.93"/>	<input type="text" value="CASDI"/>		



# Important Sites

- Dresser & Associates Website:

[www.dresserassociates.com](http://www.dresserassociates.com)

- IRS Q&A:

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

- IRS Notice 2011-28:

<http://www.irs.gov/pub/irs-drop/n-11-28.pdf>



# Questions?



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