



December 2011

Dear Valued Client:

Beginning in 2012, a new federal regulation requires that employers that had to file 250 or more Forms W-2 for the preceding calendar year, report the total aggregate cost of certain types of health care coverage.

Note: This regulation was originally slated to be a requirement for 2011 Forms W-2; however, the Internal Revenue Service (IRS) postponed the requirement until 2012. For more information, go to <http://www.irs.gov/pub/irs-drop/n-11-28.pdf>.

The amounts must be reported as a single line item in Box 12 on the W-2, labeled with code "DD." This reporting is informational only (no tax implication to otherwise excludable benefits) – the IRS emphasizes that the intent of the reporting is to increase awareness by providing "useful and comparable consumer information to employees on the cost of their health care coverage."

Employers subject to this regulation must comply in the 2012 tax year (for W-2s distributed in January 2013). Advantage is prepared to properly report this information on your employees' 2012 Forms W-2. If your business is subject to these requirements (or you would like to optionally report this information), you can report the total aggregate cost of employer-sponsored group health plan coverage on a per-pay-period or annual basis. To learn more about these requirements and which types of coverage apply to them, go to the Interim Guidance on Informational Reporting to Employees of the Cost of Their Group Health Insurance Coverage at <http://www.irs.gov/pub/irs-drop/n-11-28.pdf> on the IRS website.

Consult with your CPA, tax advisor, or health insurance plan administrator for guidance about whether you are subject to these requirements and how to determine what amounts to report.

Please circle one of the options below and return this letter to your CSR notifying us of your choice. If you will be reporting this information for 2012 Forms W-2, notify your customer service representative during your next regular payroll call whether you will report the information on a per-pay-period or annual basis and whether you would like this amount to be displayed on the employees check stub when entered.

If you have any questions, please contact your customer service representative at (800) 440-9033.

Sincerely,

The Specialists at Advantage Payroll Services

PLEASE CIRCLE ONE OPTION AND FAX BACK TO YOUR CSR AT (516) 931-8500

Client Number: _____ **Client Name:** _____ **CSR:** _____

YES Please contact me to report cost of health care for 2012
NO I do not wish to report cost of health care for 2012

****NOTE:** If you had more than 250 W2s in 2011, this is mandatory. You will receive a call from your CSR to set this up.