



August 25, 2011

Dear Advantage Client,

The Patient Protection and Affordable Care Act (PPACA), passed into law on March 23, 2010, added a new requirement to the Internal Revenue Code (IRC) that obligates employers to report the cost of "applicable employer-sponsored coverage" on the Form W-2 Wage and Tax Statement. This requirement, defined in IRC 6051(a)(14), generally provides that the aggregate cost - the combined total of employer and employee contributions - must be reported as a single line item in box 12 on Form W-2. The IRS has emphasized that this reporting is informational only (no tax implication to otherwise excludable benefits) - 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."

The requirement to add this information to Forms W-2 has been extended to tax year 2012 (W-2 Wage and Tax Statements generally issued in January 2013). For tax year 2012, this requirement only affects employers who had 250 or more Forms W-2 in the prior year; clients who have 250 Forms W-2 for the 2011 tax year will be subject to this reporting on 2012 Forms W-2.

Advantage systems will be ready to support the new W-2 reporting for 2012 W-2 production. If you have any questions, please contact your customer service representative at 800-440-9033.

Yours truly,

The Advantage Payroll Team
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