

Reporting Health Insurance Premiums Paid to 2% Shareholders on W-2s

How to Report

Health and accident insurance premiums paid on behalf of a greater than two percent S corporation shareholder-employee are deductible and reportable by the S corporation as wages for income tax withholding purposes on the shareholder-employee's Form W-2

Taxation of Benefits

These benefits are not subject to Social Security or Medicare (FICA) or Unemployment (FUTA) taxes. The additional compensation is included in Box 1 (Wages) of Form W-2, but would not be included in Box 3 and 5 of Form W-2.



Shareholder's Reporting

A 2-percent shareholder-employee is eligible for a deduction in arriving at Adjusted Gross Income (AGI) for amounts paid during the year for medical care premiums if the medical care coverage is established by the S corporation and the shareholder meets the other self-employed medical insurance deduction requirements. A deduction used to arrive at AGI is referred to as an above-the-line deduction.

Plan Qualifications

The S corporation must establish the health insurance plan. The S corporation can pay the premiums or reimburse the shareholder-employee for premiums. The S corporation MUST properly report the payments on the shareholder-employee's W-2.

Contact Us Today

For more information on how to properly account for and report health insurance premiums, please contact us.

Give us a call:
508.896.3377

Visit our Website:
www.stevenmellardcpa.com

