



Are you paying for health insurance premiums for shareholders who own more than 2% of the business?

If so, to guarantee the deduction of the premiums, **the amounts paid for shareholders for health insurance premiums must be reported to your payroll company, for inclusion in the Form W-2.**

Recent Revenue Rulings by the Internal Revenue Service have expanded the requirements and reporting rules regarding this important fringe benefit. Although the amounts paid are added to income for the shareholder, the amount is generally qualified for an above-the-line deduction on the shareholder's individual income tax return.

- Please note that the **amount of the premiums is reported only in box 1 wages**; it is **NOT subject to social security tax, medicare tax, or unemployment tax.**
- To qualify for the deduction, the "S" corporation must directly pay or reimburse the employee-shareholder the amount of health insurance premiums.
- The shareholder-employee will then be able to deduct 100% of the premiums on their Form 1040 as an above-the-line deduction, thereby reducing their AGI.

There are some other conditions and requirements; as always, feel free to contact either Jeff Spiegel, Joe Peterson, or Donna Stone with any questions or concerns. Please consult your payroll service (if applicable) to inform them of this additional income before year-end.

Spiegel Accountancy Corp.
2033 North Main Street, Suite 365
Walnut Creek, CA 94596
(925) 977-4000 phone
jeff@spiegelcorp.com
joe@spiegelcorp.com
donna@spiegelcorp.com