



DATE: April 13, 2011
TO: Our Valued Client Partners & Friends
FROM: HIB Account Team
RE: LEGISLATIVE UPDATE 2011-4: PPACA and Related Angst: AB 36, W-2s, and 1099s

We are pleased to bring you our **Legislative Update 2011-4: PPACA and Related Angst: AB 36, W-2s, and 1099s**. This memorandum provides an update on some recent changes to California State and Federal tax laws surrounding Health Care Reform. As always, please feel free to contact your HIB Account Team for assistance.

PPACA AND RELATED ANGST: AB 36, W-2s, and 1099s

AB 36

Previously, we shared (Legislative Update 2011-3) that the California legislature passed a law which will conform the tax treatment for medical benefits available under PPACA (adult dependent provisions) to federal law. We now can confirm that the Governor signed the legislation into law and it has been chaptered on April 7, 2011. Go forth you tax advisors and spread the word. [Full Text of AB 36](#)

H.R. 4: 1099 REQUIREMENTS

Congress has now passed H.R. 4 and it awaits the President's signature. H.R. 4 repeals the expansion of information reporting (1099s) resulting from PPACA rules originally promulgated on March 23, 2010. They were to take effect for tax years beginning after December 31, 2010. H.R. 4 also repeals an income recapture provision applicable to certain taxpayers who receive government subsidies for health care expenditures. This PPACA provision was to take effect for tax years after December 31, 2013. [Full Text of H.R. 4](#)

IRS NOTICE 2011-28: INTERIM GUIDANCE ON W-2 REPORTING

PPACA requires employers to include the aggregate cost of employer-sponsored group health coverage beginning with the 2012 tax year (W-2s furnished in January 2013). This Notice contains details on what constitutes "applicable employer-sponsored coverage," the methods available for calculating the amounts to be reported, and guidance in special situations such as change of coverage, blended or composite rates, and non-calendar determination periods.

It is important to note that employers with fewer than 250 W-2s for the 2011 tax year will have optional reporting requirement for the 2012 tax year.

We will prepare a more detailed analysis of this Notice shortly. [Full Text of IRS Notice 2011-28](#)

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