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Certified Public Accountants

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S-Corporation Reminder: Reporting Owner Medical Insurance Premiums

With yearend payroll reports approaching their due dates we wanted to remind our S-corporation clients about the reporting of owner medical insurance premiums paid by the S-corporation.

Treating Medical Insurance Premiums as Wages

Health and accident insurance premiums paid on behalf of the 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.

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 the Form W-2, Wage and Tax Statement, issued to the shareholder-employee, but would not be included in Boxes 3 and 5 of Form W-2.

A 2-percent shareholder-employee is eligible for an Adjusted Gross Income (AGI) deduction for amounts paid during the year for medical insurance premiums if the medical insurance coverage is established by the S corporation and the shareholder meets the other self-employed medical insurance deduction requirements. If, however, the shareholder or the shareholder's spouse is eligible to participate in any subsidized health care plan then the shareholder is not entitled to the AGI deduction.

A medical plan can be considered established by the S corporation if the S corporation paid or reimbursed the shareholder-employee for premiums and reported:

- The premium payment
- Reimbursement as wages on the shareholder-employee's W-2

Please contact us should you have any questions.

Very truly yours,

Fischer, Hayes & Associates, PC

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