



2017 S Corporation Shareholder Health Insurance Reporting Update

Report the total amount of medical insurance premiums paid for >2% shareholder-employees to your payroll provider as soon as possible.

Summary:

Medical Insurance Premiums are deductible by the S corporation as a fringe benefit but are treated as wages for shareholders (>2%) and must be reported on the shareholder's W-2 in Box 1 and 14.

- They are not subject to FICA (Social Security and Medicare) or FUTA (Unemployment) taxes, thus the amount is not included in Boxes 3 or 5 of the Form W-2.
- It is imperative that the corporation reimburse you for any amounts paid personally as of December 31, 2017.
- **The shareholder cannot take a deduction on their Form 1040 if this process is not followed.**

WHAT AMOUNTS TO REPORT:

Medical Insurance Premium amounts to be **included**:

- Amounts you paid for yourself and your family
- Amounts the corporation paid for yourself and your family

Medical Insurance Premium amounts to be **excluded**:

- Amounts associated with your spouse's employer sponsored plan
- Amounts paid by the business for your employees

BEST BUSINESS PRACTICES:

Pay premiums by check or automatic deduction directly from your business bank account. This applies even if your health insurance is in your name rather than the corporate/LLC name.

- If your insurance provider will not accept a business payment for your individual policy, the business should reimburse you on a monthly, quarterly, or annual basis.
- As of December 31, 2017, the full amount of the premiums should be reported in one account on the company's books, separate from non-shareholder employees.

For more information, please call our office.

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