

2020

Health Insurance Premiums Paid for S-Corporation Shareholders

To comply with the Internal Revenue Service regulations regarding health insurance provided to an employee who owns a 2% or greater interest in an S-Corporation (a “2% shareholder-employee”), the health insurance premiums for the 2% shareholder-employee must be reported on the shareholder’s **2020 form W-2**. In addition, the health insurance policy should be issued under the Corporation’s name.

Under these regulations, the S-Corporation will be entitled to deduct the insurance premiums, and the 2% shareholder-employee will be entitled to deduct, as an adjustment to gross income, the amount reported on the W-2. The amount of the health insurance premiums included in the 2% shareholder-employee’s W-2 will be subject to income tax, but **will not** be subject to Social Security, Medicare or Federal and State Unemployment taxes.

Would you please provide us with the health insurance premiums paid on behalf of 2% shareholder-employees during 2020. We will include this amount in the Corporation’s 4th quarter and annual payroll reports and on the **2020 W-2’s**.

Please indicate below the amount of health insurance you have paid in 2020 on behalf of a 2% shareholder-employee (and their dependents).

COMPANY NAME: _____

Health Insurance payment for 2% shareholder-employee for 2020 is \$_____

COMPLETED BY: _____ **Date**_____

If you use a payroll service, please provide them with the above information.

PLEASE RETURN THIS FORM BEFORE NOVEMBER 30, 2020.

YOU CAN E-MAIL IT TO: DIANE FAULDS AT diane@fauldstax.com

Please call us if you have any questions and thank you for your assistance with this matter.

Sincerely,

Diane Faulds