

WITHHOLDING REVENews

A REVENUE PUBLICATION

March 2011; Vol. 8, No. 1

2010 HEALTHCARE REFORM



The tax provisions in the Patient Protection and Affordable Care Act of 2010 and amending Health Care and Education Reconciliation Act of 2010 were not adopted by Kentucky.

Kentucky is still under the Internal Revenue Code in effect as of 12/31/2006 (KRS 141.010(3)). Legislative action by the Kentucky General Assembly would be required for a Code update.

Employers should treat the premium amounts paid for those adult children who now qualify under the new federal law as being paid with post-tax dollars for Kentucky income tax purposes.

Does this affect everyone?

No. If the employee already had a family or parent plus healthcare plan and adding the adult child did not increase the cost then there is no adjustment to be made.

**The cost of the healthcare plan will not be prorated between the children.*

Who will this affect?

If the employee did not have a family or parent plus healthcare plan and the employee chose a family or parent plus healthcare plan to cover an adult child who didn't qualify to be covered on the plan until the 2010 healthcare reform then the adjustment does need to be made.

The increased cost of the healthcare plan must be paid with post-tax dollars at the state level. The adjustment is equal to the increased cost of the healthcare plan.

Is the adjustment shown on the W-2 Form?

Yes. The employer can show the adjustment for the adult child health insurance in Box 14 "Other" for the employee to use when filing their Kentucky Individual Income Tax Return. Also, the federal wages in box 1 will be lower than the state wages in box 16 because of the adjustment.

Does the adjustment change the wages reported on the K-1 and K-3 returns?

No. The gross wages are reported on the withholding tax return as Total Wages Paid on line 2. This is the wage

amount earned for the period before any deductions (taxes, automatic loan payments, insurance payments, etc.).

Can dependent qualification be documented?

Yes. The employer usually requires the employee certify their dependent(s) by providing the children's information (name, social security number, and date of birth). This same type certification may be required by the employer or insurance provider for adult children ages 19-26 to qualify for coverage on the family or parent plus healthcare plan.

How is the adjustment reported on the individual's KY Income Tax Return?

The Kentucky return starts with the adjusted gross income from the federal tax return. Anyone covering healthcare for an adult child that did not qualify to be covered previously and had an insurance cost increase for adding the adult child will have to add back the adjustment to their adjusted gross income. This addition is made on the **Schedule M** for Kentucky.

Withholding ReveNews is a publication printed on recycled paper, the cost of which is paid from state funds. Comments, suggestions and mailing list additions or corrections should be addressed to the Office of Public Information, Finance Secretary's Office, Frankfort, Kentucky (502) 564-4240.

Editor *Cindy Lanham*
Publications Coordinator.....*Sarah Gilkison*
Production/Design.....*Support Services Branch*

The Kentucky Department of Revenue does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services.

The Department of Revenue may be found at:

www.revenue.ky.gov

