



# PAYROLL CURRENTLY

The Payroll Compliance Publication of the American Payroll Association

Volume 18

Issue # 7

July 9, 2010

## Wisconsin

***Tax treatment of health care benefits for children under 27 explained.*** The state will not follow federal law in 2010 with regard to the change, enacted by the federal Affordable Health Care Acts (Pub. L. No. 111-148 and Pub. L. No. 111-152), that extends the general exclusion from gross income for medical care expenses under an employer-provided accident or health plan to any child of an employee who has not reached the age of 27.

The Department of Revenue (DOR) advises that the child under age 27 must either be claimed as a dependent for state income tax purposes, or the employee must provide over one-half of the child's support for the calendar year and the child must not be the qualifying child of any other taxpayer. If these requirements are not met, the fair market value of the adult child's health insurance coverage is income and taxable wages to the employee. Employers must either (1) include the amount that is taxable for Wisconsin purposes (but not taxable for federal purposes) in Box 16 of the 2010 Form W-2, or (2) provide employees with a supplemental "Wisconsin only" Form W-2 with the taxable benefits shown in Box 16. The DOR has posted guidance on its website at [www.revenue.wi.gov/taxpro/news/100511.html](http://www.revenue.wi.gov/taxpro/news/100511.html).