

*Department of Revenue*  
*November 7, 2011*

## 2011 TREATMENT OF HEALTH INSURANCE BENEFITS FOR ADULT CHILDREN

On November 4, 2011, the Governor signed legislation that adopted the federal law provisions (sec. 1004(d) of P.L. 111-152) relating to the treatment of health insurance benefits provided to an adult child who has not attained the age of 27 as of the end of the tax year. These provisions are effective for taxable years beginning on or after January 1, 2011.

### WISCONSIN TREATMENT

Effective for taxable years beginning on or after January 1, 2011, the Wisconsin treatment of health insurance benefits provided to an adult child who has not attained the age of 27 as of the end of the tax year is the same as the federal treatment.

### FEDERAL TREATMENT

The exclusion from gross income of an employee for employer-provided accident or health insurance benefits for the employee, the employee's spouse, or the employee's dependents was extended to apply to any child of the employee who, as of the end of the tax year, has not attained the age of 27.

Thus, if the child is age 26 or less at the end of the tax year, the exclusion applies even if the child provides more than one-half of his or her own support, earns more income than the exemption amount, does not live with the taxpayer, or if any other restriction applies which prevents the employee from claiming a dependency exemption.

The federal treatment was effective March 30, 2010, and thereafter.

### EFFECT ON EMPLOYEES

For taxable years beginning on or after January 1, 2011, the fair market value of the adult child's health insurance coverage is no longer considered taxable income to the employee.

- The 2011 Form W-2 that the employee will receive in January of 2012 should not include any amount of imputed income for the fair market value of accident or health insurance coverage provided to an adult child who has not attained the age of 27 at the end of the year.
- An amount may have been withheld on the imputed income during the year. Any amount withheld will be included in the 2011 Form W-2 as state income tax in Box 17 of the Form W-2.

### EFFECT ON EMPLOYERS

- Employers should immediately discontinue imputing income for the fair market value of accident or health insurance coverage provided to the adult child of an employee. Such amounts should no longer be included as income nor should any amount be withheld based on imputed income.
- The 2011 Form W-2 that will be given to the employee in January of 2012 should not include any amount of imputed income related to accident or health insurance coverage provided to an adult child who has not attained the age of 27 at the end of 2011.
- The total amount of Wisconsin income tax withheld shown on the 2011 Form W-2 would be the total amount withheld on wages plus the amount withheld on any imputed income during 2011.

### UNEMPLOYMENT INSURANCE

Note: Employer-paid medical benefits, including imputed income related to accident or health insurance coverage provided to an adult child who has not attained the age of 27 at the end of 2011, are excluded from reportable wages for unemployment insurance purposes under sec. 108.02(26), Wis. Stats. Therefore, the provisions of this legislation should not affect unemployment insurance.

### FOR MORE INFORMATION PLEASE CONTACT

Wisconsin Department of Revenue  
Customer Service Bureau

Employee questions:  
Phone (608) 266-2772  
E-mail [income@revenue.wi.gov](mailto:income@revenue.wi.gov)

Employer questions:  
Phone (608) 266-2776  
E-mail [dorwithholdingtax@revenue.wi.gov](mailto:dorwithholdingtax@revenue.wi.gov)