

December 23, 2009

ALERT: Health insurance premiums for S corporations must be included in W-2 shareholder income for shareholders to receive deduction

S corporations **must** include health insurance premiums paid for shareholders who own 2% or more of the S corporation as wages reported on the shareholder's W-2 form. Otherwise, shareholders will not be able to claim a deduction for health insurance premiums on their tax returns without a full disclosure that may trigger higher IRS scrutiny of the return. The K-1 shareholders receive reports only income related to stock ownership, and is not the IRS-prescribed way to report health insurance premiums.

The amount of premium reported as W-2 income is subject to withholding although not to FICA or Medicare taxes.

If you have questions about this issue, please contact your AGH tax professional at (316) 267-7231.

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