

Dear Client,

We want to remind you of the steps required by the IRS for S-Corporation shareholders to deduct their health insurance premiums. You are allowed a deduction on your personal tax return for 100% of your family health insurance premiums, **IF YOU FOLLOW THE CORRECT IRS GUIDELINES.**

The premiums must be paid by the S-Corporation. If the premiums are not paid by your S-Corporation, make sure your S-Corporation reimburses you for all medical insurance that you pay for yourself and your family.

Health insurance paid by the S-Corporation must be reported on your W-2.

The premiums for you and your family must be included on your W-2 in box 1. The premiums are not included in box 3 or 5. In box 14, the wording “SCORP 2% HI” can be used to report the health insurance along with the amount. If your W-2 does not show the premiums in this fashion, the IRS may disallow the deduction.

PLEASE NOTIFY YOUR PAYROLL COMPANY IMMEDIATELY TO ENSURE THAT YOUR HEALTH INSURANCE IS CORRECTLY REPORTED ON YOUR W-2.

If you handle your own payroll using QuickBooks, we have attached instructions on how to make the needed adjustments. If you would prefer us to make the changes in QuickBooks for you, please contact Ginger in our office to schedule an appointment. Please note that any additional assistance or work we perform for you is considered separate from the tax preparation since it requires additional time from our staff and your CPA to complete the work and may be billed separately.

Thank you,

Gallacher, Bosen & Goodman, PLLC
480-820-9184