

Dear Client,

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

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.

Here are the steps to report health insurance 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 of "SCORP 2% HI" for health insurance should be indicated along with the amount. If your W-2 does not show the premiums in this fashion, the IRS can disallow the deduction.

PLEASE NOTIFY YOUR PAYROLL COMPANY IMMEDIATELY TO ENSURE THE NEEDED CHANGES ARE MADE.

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 our office to schedule an appointment.

Thank you,

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