

California Wages and Medical Insurance Nonconformity

Jan. 7, 2011

California does not conform to the new federal income exclusion for employer-paid health insurance for nondependent adult children.

According to the FTB, you must “impute the cost of the insurance covering nondependent adult children into income.”

If the employer’s plan separately sets forth a cost for each participant, then the cost attributable to the adult nondependent child must be added to California wages.

Employees’ W-2s should reflect this state and federal wage difference; however, there is a problem.

The FTB is still working on guidance on how to calculate taxable wages when the insurance plan does not spell out the cost differential. They have said it will be a week to ten days to have an answer. We will provide information on the proper computation as soon as it is available.