

IMPORTANT - PLEASE READ

HSA CONTRIBUTIONS

If your company has an HSA, please report the contributions made to the plan on the employee's W-2 in Box 12 with Code W. (Include company contributions as well as employee contributions made through a cafeteria plan). The contributions are not reported on Form W-3.

Note: S Corporation 2-percent shareholders are not treated as employees, therefore the above reporting requirements do not apply for these shareholders. 2-percent shareholders of S Corporations cannot have pretax deductions.

Under most circumstances, HSA contributions paid on behalf of an S Corporation shareholder, partner, or sole proprietor are deductible. **Special rules apply to S Corporation shareholders** in order to receive the benefit of the tax deduction:

- HSA contributions paid on behalf of the 2-percent shareholder must be included on Line 2 of Form 941, in gross wages on your MN withholding tax return and on the W-2 in Box 1 and Box 16, as well as reported in Box 14 as HSA Contribution. HSA contributions in Box 14 should be listed separately from Officer's Health Insurance. It is also included on Form W-3 in Box 1 and Box 16.
- If the 2-percent shareholders contributions are deducted from their net pay and paid by the employer on behalf of the shareholder, the HSA contribution should be reported in Box 14 only, as it would already be included in the 2-percent shareholders federal and states wages.

It is costly to amend quarterly payroll returns and W-2s due to reporting errors, so please be sure to review the reporting instructions before preparing your W-2s.

If we prepare your W-2s, please provide this information to us so we can report the HSA information correctly.

If you have any questions, please contact:

Amy Anderson, Office/Payroll Manager
Piehl, Hanson, Beckman, P.A.
(320) 234-4430

or refer to:

IRS Publication 15 - Circular E, Employer's Tax Guide
IRS Publication 15-B - Employer's Tax Guide to Fringe Benefits
IRS 2025 General Instructions for Forms W-2 and W-3
MN Income Tax Withholding Instructions Booklet for 2025

You can access these publications through our website at www.phbcpa.com. Hover over Resources and select Forms and Downloads.