## GROOM LAW GROUP

## **Publications**

## Adult Child Health Care Premiums May Constitute Wages for State Tax Purposes

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For plan years beginning on or after September 23, 2010, the Patient Protection and Affordable Care Act ("PPACA") requires all employer sponsored health care plans to cover adult children until their 26th birthday and this coverage is tax-free for federal tax purposes. However, this coverage may result in taxable wages for employees, as not all states have adopted this provision. Importantly, failure to properly report and withhold applicable state taxes may result in reporting and withholding obligations, penalties, and related interest on employers.

The state law regarding this issue is evolving very quickly and we have been tracking it closely. Please see the attached memo for further information and contact your GLG attorney for the latest developments.

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