



OFFICE OF THE CHIEF COUNSEL

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D. C. 20224

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CONEX-130562-10

The Honorable Amy Klobuchar  
United States Senator  
1700 Washington Avenue South  
Suite 250  
Minneapolis, MN 55415

Attention:

Dear Senator Klobuchar:

I am responding to your inquiry dated July 22, 2010, forwarding your constituent's questions about tax changes for 2011.

Your constituent asked about the increase in the child tax credit from \$500 to \$1,000 and the reductions of the marriage penalty that Congress enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001. These provisions will expire this year unless Congress extends the provisions. To date, Congress has not extended the provisions. See section 24 of the Internal Revenue Code (the Code) for provisions relating to the child tax credit.

Your constituent also asked whether employee health insurance benefits will become taxable next year. The tax law provides an exclusion from income for certain amounts received by an employee through accident or health insurance for personal injuries or sickness (section 105 of the Code). The tax law also provides an exclusion for employer-provided coverage under an accident or health plan (section 106 of the Code). Starting in 2011, employers will be required to report the value of the health insurance coverage they provide employees on each employee's annual Form W-2, *Wage and Tax Statement* (section 6051(a)(14) of the Code). This reporting is for informational purposes only, to show employees the value of the health care benefits so they can be more informed consumers. The amount reported does not affect tax liability,

as the value of the employer's contribution to health coverage continues to be excludible from an employee's income and is not taxable.

I hope this information is helpful. If you have any questions, please contact  
or me at .

Sincerely,

Michael J. Montemurro  
Chief, Branch 4  
Office of Associate Chief Counsel  
(Income Tax & Accounting)