

## Small Business Tax Credit (Health Care Reform)

As part of Health Care Reform, a tax credit for small groups was designed to encourage small businesses to offer health insurance coverage for the first time or maintain coverage they already have. The credit is designed to help small businesses and tax-exempt organizations that employ mostly low and moderate-income workers.

### Key Elements

1. The credit is worth up to 35 % of a small business's premium costs in 2010. On January 1<sup>st</sup> 2014, this rate increases to 50%.
2. Employers with fewer than 25 employees will receive a maximum credit (based on their number of employees) of up to 50% of premiums by 2014 for up to 2 years if the employer contributes at least 50% of the total premium cost.
3. A business's tax credit will not be reduced if the business also receives a health care tax credit from a state or receives a state subsidy
4. Small businesses can receive the credit not only for traditional health insurance coverage but also for add-on dental, vision and other limited-scope coverage. The employer must pay at least 50% of the premium.
5. Qualifying employers that already provide health care for their workers will receive immediate help with their premium costs, and additional firms that initiate coverage this year will get a tax cut as well.
6. Qualifying firms can claim credit for up to 6 years. Firms can claim the credit for 2010 through 2013 and for any two years after that. Tax-exempt organizations are eligible for a 25% tax credit in 2010. In 2014, this rate increases to 35 percent.

### Eligibility

1. Must not employ more than 25 full-time equivalent employees for the taxable year and must cover at least 50% of the cost of health care coverage for their workers.
2. The average annual compensation of those employees must not exceed \$50,000 per employee per year.

Please refer to the following publication from IRS for more information about the Tax Credit for Employee Health Insurance Expenses of Small Employers.

<http://www.irs.gov/pub/irs-drop/n-10-44.pdf>

If you have questions or need more clarifications then please consult with your accountant for further assistance.