



Small Business Health Care Tax Credit

The Affordable Care Act provides a small business health care tax credit to help small businesses and tax-exempt organizations provide health care coverage to their employees. The credit is available for the 2010 tax year and applies for both taxable and tax-exempt employers.

The amount of the credit is for up to 35% of an employer's premium costs in 2010 and up to 25% for tax-exempt employers. In 2014, this credit increases to 50% for taxable employers and 35% for tax-exempt employers. The credit phases out gradually for employers with average annual wages between \$25,000 and \$50,000 and the equivalent of between 10 and 25 full-time employees (with the amount of the credit decreasing as the employer size and/or wages increases).

Employer Eligibility Requirements

- Employer Size: Must have less than the equivalent of 25 full-time employees.
- Average Annual Wages: Below \$50,000.
- Coverage: Must cover at least 50% of the cost of health care coverage (based on the single rate).

How to Claim the Credit

- Taxable Employers: Use IRS Form 8941, Credit for Small Employer Health Insurance Premiums, to calculate the tax credit. Include the amount of the credit as part of the general business credit on the income tax return.
- Tax-Exempt Employers: Use IRS Form 8941, Credit for Small Employer Health Insurance Premiums, to calculate the tax credit. Include the amount of the credit on Line 44f of the revised IRS Form 990-T, Exempt Organization Business Income Tax Return.

What You Need to Do Now

1. Use KTB's Small Business Health Care Tax Credit Eligibility Worksheet to help determine if you may be eligible for a full or partial credit
2. Go to the IRS webpage on the Small Business health Care Tax Credit for more detailed information about the credit and how it may apply in your situation.
3. If eligible for a full or partial credit, work with your tax preparer to claim the credit on your 2010 income tax return.

For More Information

IRS Form 8941 may be used to calculate the amount of the credit and is available, along with instructions, in the KTB Health Care Reform Center.

The IRS webpage dedicated to the Small Business Health Care Tax Credit includes additional information including guidance, FAQ's on the credit, sample scenarios for how the credit applies to employers in different circumstances, a video explaining the credit, and the forms necessary to claim the credit. This page can be found at: <http://www.irs.gov/newsroom/article/0,,id=223666,00.html>