

Small Business Tax Credit

A provision of the Patient Protection and Affordable Care Act (PPACA) of 2010

Beginning in the 2010 tax year, some small businesses may be eligible for a tax credit for payment of health insurance premiums. This tax credit is designed to encourage these businesses to offer or continue to offer health insurance to their employees.

The tax credit will generally be available to eligible small businesses that:

- (1) Pay at least half the cost of coverage for their employees
- (2) Employ fewer than 25 full-time equivalent employees (FTEs) and
- (3) Pay wages averaging less than \$50,000 per year per FTE.

Employers can claim the full credit amount if they have 10 or fewer FTEs and the employer's average taxable wages for FTEs are \$25,000 or less.

The credit is phased out as the number of FTEs increases from 10 to 25 and as average employee compensation increases from \$25,000 to \$50,000. Any unused credit amounts may be carried forward to subsequent tax years.

In each of the four years 2010 through 2013, the full credit can cover up to 35% of premiums paid by qualified for-profit employers for health insurance (25% for eligible tax-exempt organizations). In 2014, the tax credit will increase to 50% of premiums paid by eligible for-profit employers (35% for tax-exempt organizations).

A business, however, cannot receive the tax credit for self-employed individuals or small business owners and their family members.

Employers should consult their tax advisor for detailed information on how to claim these credits.

For more information please see IRC Section 45R – Tax Credit for Employee Health Insurance Expenses of Small Employers Notice 2010-44.

For a comprehensive review of your current health insurance plan, please contact:

LaChelle Woods
Premier Benefits Agency. LLC
Scottsdale, AZ
(480) 332-5437
lachelle@premierbenefitsagency.com