

Four Million Small Businesses Could Qualify for a New Tax Credit *Is your business one of them?*

The Small Business Health Care Tax Credit Starts in 2010

The Affordable Care Act, the new federal health care reform law, provides tax credits to help cover the cost of health insurance. Small businesses will be one of the first groups to benefit.

This year, the law's new small business tax break will offer small employers who pay at least half of the health insurance premium for employees a tax credit equal to up to 35% of the cost of coverage.

Here are the facts:

- **Millions of businesses qualify.** The tax credit is generally for small businesses with less than 25 full-time equivalent employees who earn up to an average of \$50,000 per year.
- **Available Immediately.** Enacted as part of the Affordable Care Act, the credit was effective January 1, 2010. As a result, small businesses currently providing health care for their workers receive immediate help with their premium costs.
- **Big Savings.** The credit is worth up to 35 percent of a small business's premium costs in 2010 and in 2011 through 2013. In 2014, this rate increases to 50 percent.
- **Dental and Vision Coverage Qualify.** 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.
- **Non-Profits Are Eligible.** Tax-exempt organizations are eligible for a 25 percent tax credit in 2010 and in 2011 through 2013. In 2014, this rate increases to 35 percent.

Find out more. Visit www.irs.gov and download the 1-page form. Or consult your business accountant or tax advisor.

3 SIMPLE STEPS

If you are a small employer (business or tax-exempt) that provides health insurance coverage to your employees, determine if you may qualify for the **Small Business Health Care Tax Credit** by following these three simple steps:

1

Determine the total number of your employees (not counting owners or family members):

Full-time employees: _____
(enter the number of employees who work at least 40 hours per week)

+

Full-time equivalent of part-time employees: _____
(Calculate the number of full-time equivalents by dividing the total annual hours of part-time employees by 2080.)

= total employees

If the total number of employees is fewer than 25 **GO TO STEP 2**

2

Calculate the average annual wages of employees (not counting owners or family members):

Take the total annual wages paid to employees: _____

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Divide it by the number of employees from STEP 1: _____
(total wages ÷ number of employees)

= average wages

If the result is less than \$50,000, **AND**

3

You pay at least half of the insurance premiums for your employees at the single (employee-only) coverage rate, then



you may be able to claim the **Small Business Health Care Tax Credit**.
Find out more information at **IRS.gov**

