



LEGISLATIVE BRIEF

Small Businesses Eligible for Health Care Tax Credit

EXECUTIVE SUMMARY

Under the health care reform law enacted in 2010, many small businesses and tax-exempt organizations that provide health insurance coverage to their employees now qualify for a special tax credit. The credit is:

- designed to encourage small employers to offer health insurance coverage for the first time or maintain coverage they already have
- in general, available to small employers that pay at least half the cost of single coverage for their employees
- available for tax years beginning in 2010 (an enhanced version of the credit will be effective beginning in 2014)

The Internal Revenue Service has issued additional information on the tax credit in [Notice 2010-44](#) and [Notice 2010-82](#), which provide guidance on determining eligibility for, calculating and claiming the credit. Also, more information about the credit, including [tax tips](#), [guides](#) and [answers to frequently asked questions](#), is available on the IRS Web site, www.irs.gov.

For a tax credit calculator, please see www.smallbusinessmajority.org/tax-credit-calculator/ or www.nfib.com/issues-elections/healthcare/credit-calculator.

This Ron Sellers & Associates Legislative Brief describes the tax credit and explains which employers are eligible and how it can be claimed. Read below for more information on the tax credit.

OVERVIEW OF THE SMALL BUSINESS HEALTH CARE TAX CREDIT

The health care reform law includes the Patient Protection and Affordable Care Act, which was signed into law by President Obama on March 23, 2010, and the Health Care and Education Reconciliation Act of 2010, which was signed into law on March 30, 2010. These two laws together make sweeping changes to the nation's health care system, including many changes that affect employers.

One positive change for some small employers is a Federal income tax credit for health insurance premiums they pay for certain employees. The credit is available for tax years beginning in 2010.

Eligible Employers

The credit is specifically targeted to help small businesses and tax-exempt organizations that primarily employ low and moderate income workers. It is generally available to employers that have fewer than 25 full-time equivalent (FTE) employees, pay wages averaging less than \$50,000 per employee per year and maintain a "qualifying arrangement," as discussed below.

Notice 2010-82 provides the following additional information regarding eligible employers:

- A section 521 farmers cooperative that is subject to tax under Internal Revenue Code section 1381 is eligible to claim the small business tax credit as a taxable employer, if it otherwise meets the definition of an eligible small employer.

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