

Small Business Health Care Tax Credit for Small Employers: A Summary

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The Internal Revenue Service has issued final regulations on the tax credit available to certain small employers who offer health insurance coverage to their employees under the Affordable Care Act.

This means there are changes that a small business or a small tax-exempt organization needs to be aware of that are in place as of 2014.

In a nutshell, the maximum credit increases to 50% of premiums paid for small business employers and 35% of premiums paid for small tax-exempt employers.

To be eligible for this often overlooked credit, a small employer must:

1. Cover at least 50% of the cost of employee-only (not family member or dependent) health care coverage for each of your employees.
2. Have fewer than 25 full-time equivalent employees (FTEs). Remember, two half-time employees qualify as one full time equivalent.
3. Pay average wages of less than \$50,000 (as adjusted for inflation beginning in 2014) per year.
4. Purchase insurance through the SHOP Marketplace (or qualify for an exception to this requirement) to be eligible for the credit for tax years 2014 and beyond.

And finally, if you can benefit from the credit this year but forgot to claim it on your tax return, there's still time to file an amended return although refund limitations may apply.

How to Claim the Credit

You must use Form 8941, Credit for Small Employer Health Insurance Premiums, to calculate the credit. For detailed information on filling out this form, see the Instructions for Form 8941.

- If you are a small business, include the amount as part of the general business credit on your income tax return.
- If you are a tax-exempt organization, include the amount on line 44f of the Form 990-T, Exempt Organization Business Income Tax Return. You must file the Form 990-T in order to claim the credit, even if you don't ordinarily do so.

To determine if your small business qualifies, or for more details on eligibility, please call me or your tax professional at Sobel & Co. at 973-994-9494.