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ATTORNEYS AT LAW



**TO: Clients & Colleagues**  
**FROM: Christine P. Roberts**  
**RE: Health Care Reform Update:**  
**Hidden Savings Opportunities for Non-Profit Employers**  
**DATE: August 17, 2010**

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The new health care reform laws contain some opportunities for small, smaller-budget nonprofit organizations.

Specifically, health care reform makes a tax credit available for tax years beginning in 2010 to for- and non-profit organizations meeting the following profile:

- Fewer than 25 full time equivalent employees (FTE).\*
- Annual wages average less than \$50,000.\*\*
- The employer picks up at least 50% of the premium for individual coverage.

The maximum tax credit – which nonprofit employers can apply to reduce payroll taxes - is equal to 25% of the premiums paid by eligible tax-exempt organizations for 2010 through 2013. The maximum credit is available to those tax-exempt organizations with no more than 10 full-time FTEs paying average annual wages of \$25,000 or less.

The credit phases out as the number of FTEs increases from 10 to 25 and as average annual wages increase from \$25,000 to \$50,000. To avoid incentives for employers to choose high-cost plans, certain average premium rules apply.

In 2014 and 2015 the maximum credit amount will increase to 35 percent for eligible tax-exempt employers (50% for for-profit entities) however certain conditions will apply in those two years that may limit the credit's availability in some cases. The credit rates are lower for non-profits in order to keep the value of the credit roughly equal to that provided to for-profit organizations that cannot claim a tax deduction for the amount of the credit claimed.

If your organization fits the above profile you should contact your payroll provider to determine the appropriate procedures for claiming the credit against payroll taxes. If you have questions about whether or not you fit the profile, your legal and/or tax advisor may be of help.

\*To determine the number of full-time equivalent employees, divide the total hours of paid work-time by 2080 (which equals 40 hours multiplied by 52



weeks) Hours of leased employees are included, but not seasonal workers working less than 120 hours.

\*\*To determine average wages, divide the amount of total wages paid by the number of full-time equivalent employees. For-profit organization can exclude the wages of owners but this of course is not an option for non-profits.