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## Tax Benefits on Healthcare for Small Companies

For smaller companies, providing benefits like health insurance can be quite a burden. This is all the more the case as the cost of health insurance continues to rise without any signs of abating despite the economic slowdown. In view of this, the government has initiated health care reform by giving tax incentives to employers who provide health insurance coverage for their employees. This is especially aimed at encouraging more small firms to offer some form of insurance coverage. The tax incentives offered by the IRS is quite significant and it ranges from 25 to 35% of premiums paid by employers for tax years 2010 through 2013. And it gets even better in 2014 when the credit will go up to 50% and can be used for two consecutive years after that.

In Delaware, the IRS has already notified 13,992 businesses of the fact that they might be eligible for the tax credit. To qualify, a small business must have less than 25 fulltime equivalent employees and must pay at least 50% of the cost of health insurance for the employees. Furthermore, the average salary for each employee cannot exceed \$50,000 per annum. The credit gradually phases out for businesses with average wages between \$25,000 and \$50,000 and those with the equivalent of between 10 and 25 full-time employees.

Business owners who employ more than 25 employees could still qualify if some of them are part-time ones. The way the tax is calculated, you would get the biggest tax credits if you employ no more than 10 employees at an average yearly salary of between \$25,000 and \$50,000 per employee. The credit takes effect this year and it is hoped that with it, smaller business owners will offer health insurance coverage for the first time or maintain the existing coverage for their workers. For qualified tax-exempt organizations, they are likely to receive a credit of up to 25% of the amount of premiums.

96% of US businesses employ fewer than 50 employees and are exempt from the government's new mandate that requires larger businesses to provide health benefits by 2014 or pay a \$2,000 penalty per employee.

The government intends to incentivize small business owners to provide health insurance coverage with the potential of thousands of dollars in savings on premium. An example given by the IRS says an employer with 9 full-time workers or the equivalent who earn an average of

\$23,000 a year would pay an average of \$72,000 in health insurance premiums. But that employer would obtain a tax credit of \$25,200.