

IS YOUR BUSINESS ELIGIBLE FOR THE SMALL BUSINESS HEALTH CARE TAX CREDIT?

As part of the health care package recently passed by Congress, a credit is given to small businesses for certain payments of employee healthcare coverage for low to moderate income workers. This credit is supposed to help small businesses offer employer-sponsored health coverage by making the cost of covering their employees more affordable. In general, the credit is available to small employers that pay at least half the cost of single coverage for their employees. The credit can be applied to new health insurance coverage or it can help the small business owner maintain the coverage they already offer.

HERE ARE THE “FAST FACTS” FOR THE HEALTH CARE TAX CREDIT:

Credit Amount:

- ▶ Starting in 2010, the (small business) healthcare tax credit is worth up to 35% of your business' health care premium costs.
- ▶ The maximum 35% tax credit applies for 2011 through 2013 as well.
- ▶ On January 1, 2014, your credit increases to 50%.

Eligibility:

If you can **answer yes to these 3 requirements**, your business may be eligible to claim the small business health tax credit:

1. **Number of Employees:** You are considered a “small business” for the purposes of this tax credit if your businesses has less than 25 full-time workers.
 - ▶ There is a progressive reduction (or phase out) of the credit after 10 full-time employees.
2. **Wages:** The average wage or salary paid to your employees is less than \$50,000 per year.
 - ▶ The credit phases out gradually for enterprises with average wages between \$25,000 and \$50,000.
 - ▶ Even if you have employees who earn more than \$50,000 per year, you may still qualify for the credit for those who fall below this cut-off.
3. **Coverage Payments:** You pay at least 50% of the employee's single coverage rate (i.e., coverage for the employee-only).

To determine if your business is eligible, use the IRS worksheet (“Three Simple Steps”): http://www.irs.gov/pub/irs-utl/3_simple_steps.pdf

Reporting:

Businesses will use new Form 8941 to calculate and report the small business health care tax credit.

- ▶ A draft of the form is available (<http://www.irs.gov/pub/irs-dft/f8941--dft.pdf>)
- ▶ A final Form 8941 be available later this year.

For more information see the IRS website on this credit go to: <http://www.irs.gov/newsroom/article/0,,id=223666,00.html>

The attorneys at the Chicago business law firm of Griffith & Jacobson, LLC can help your business with this tax credit. For information on how our business lawyers can help you, **contact Arie M. Flemenbaum at 312-236-8110 or info@gjlaw.com.**

Visit our website at <http://www.gjlaw.com>.

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