



Small Business Health Care **Tax Credit**

The Small Business Health Care Tax Credit is designed to encourage small businesses and tax-exempt organizations to offer health insurance coverage for the first time or maintain the coverage they offer now. The credit is targeted specifically to help those businesses and organizations that employ moderate- and low-income workers.

If you currently provide health insurance coverage for your employees, you may qualify for the tax credit

The credit is available to small employers that pay at least half the cost of single coverage for their employees. The credit is available only to employers who enroll in a qualified health plan offered through a Small Business Health Options Program (SHOP) Marketplace. Every situation is different, so you should seek advice from your accountant and attorney, but here are a few things to consider.

Number of employees: Do you have fewer than 25 full-time equivalent (FTE) employees?

Eligibility rules are based in part on the number of FTEs, not the number of employees. Employers that use part-time workers may qualify even if they employ more than 25 individuals. Owners and/or their family members are not counted as employees when calculating the tax credit. If you have 25 FTEs or more, you are not eligible for the tax credit.

Average wages of employees: Is the annual average wages of your employees less than \$51,600 in 2015? The maximum credit goes to smaller employers (those with 10 or fewer FTEs) paying annual average wages of \$25,800 or less. The credit is phased out completely for employers with 25 FTEs or paying annual average wages of \$51,600 or more.

Employer-paid insurance premiums: Do you pay at least 50% of the premiums for single health insurance coverage for your employees? For tax years beginning in 2014 or later the maximum credit increased to 50 percent of premiums paid for eligible small businesses and 35 percent of premiums paid by eligible tax-exempt organizations.

Claiming the credit

Eligible small businesses use Form 8941 to figure the credit and then include the credit amount as part of the general business credit on its income tax return. Tax-exempt organizations use Form 8941 to figure the refundable credit, then claim the credit on Line 44f of Form 990-T. Form 8941 (Credit for Small Employer Health Insurance Premiums) can be viewed on the IRS website at www.irs.gov/pub/irs-pdf/f8941.pdf. Instructions for Form 8941 can be viewed on the IRS website at www.irs.gov/pub/irs-pdf/i8941.pdf.

If you have uninsured employees

If you don't currently offer health insurance coverage to your employees, the tax credit may make this the time to start. You can still deduct your health insurance premium contribution as an expense, and receive a credit that reduces the tax you owe. For example, if you qualify for the credit and you pay \$50,000 toward employee health insurance premiums, the combined credit and deduction could reduce your tax bill by almost \$23,000.¹

Learn more

For additional information about the health care tax credit for small businesses, visit the IRS website at www.irs.gov/newsroom/article/0,,id=223666,00.html or contact your accountant, attorney, broker or UnitedHealthcare representative.

¹ Illinois example. Credits are capped based on state average premiums and therefore can vary by state and by employer contribution, which is a minimum of 50%. Various other requirements apply. Example assumes annual income of \$500,000, 9 FTEs. The tax credit reduces the deduction that an employer may take for the group health premium.



Eligibility requirements

Small employers, both for-profit and tax-exempt organizations, may qualify for the credit. All three of the following criteria must be met:

- ▶ Employer must pay at least 50% of the premiums for single (employee only) health insurance coverage.
- ▶ Employer must have fewer than 25 full-time equivalent (FTE) employees (not counting owners or their family members).
- ▶ Average annual wages of qualifying employees must be less than \$51,600 in 2015.

Credit amount

- ▶ The credit gradually phases out for employers with 10 to 25 full-time equivalent employees or with average wages between \$25,800-\$51,600.

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