

ACA Small Business Health Care Tax Credit

Small Business owners know how important health care coverage is to their employees. But in today's economy, it has become harder to offer quality benefits and control cost at the same time. Recent advances in Health Care Reform have clouded the issue even further. Fortunately, health coverage legislation enacted this year includes a Small Business Health Care Tax Credit to help small businesses and small tax-exempt organizations afford the cost of covering their workers. The following information has been provided by the IRS:

Eligibility Rules

- **Providing health care coverage.** A qualifying employer must cover at least 50 percent of the cost of health care coverage for some of its workers based on the single rate.
- **Firm size.** A qualifying employer must have less than the equivalent of 25 full-time workers (for example, an employer with fewer than 50 half-time workers may be eligible).
- **Average annual wage.** A qualifying employer must pay average annual wages below \$50,000.
- **Both taxable (for profit) and tax-exempt firms qualify.**

Amount of Credit

- **Maximum Amount.** The credit is worth up to 35 percent of a small business' premium costs in 2010. On Jan. 1, 2014, this rate increases to 50 percent (35 percent for tax-exempt employers).
- **Phase-out.** The credit phases out gradually for firms with average wages between \$25,000 and \$50,000 and for firms with the equivalent of between 10 and 25 full-time workers.

The following articles contain more information on the new tax credit:

[IRS News release](#), New for 2010: Tax Credit Helps Small Employers Provide Health Insurance Coverage, gives a description of the credit and when and how to claim it.

[CNNMoney.com](#), How the Small Business Health Care Tax Credit Works