



## **Healthcare Reform...First things First**

### **Small Business Health Care Tax Credit Effective this Year**

Included in the Patient Protection and Affordable Care Act approved by Congress and signed into law by President Obama, the credit is one of the first health care reform provisions to go into effect. The credit, which takes effect this year, is designed to encourage small employers to offer health insurance coverage for the first time or maintain coverage they already have.

- 35% tax credit for employers with 10 or fewer employees earning an average of less than \$25,000.
- A smaller tax credit for employers with 25 or fewer employees with an average wage \$50,000 or less.
- No tax credit for employers with more than 25 employees.

#### *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.

#### *Three Simple Steps for Employers to Qualify*

To determine if your small business or tax exempt organization qualifies for the Small Business Health Care Tax Credit, follow the attached IRS "3SIMPLE STEPS" worksheet.

***Find out more information at [IRS.gov](http://IRS.gov) or consult your tax professional.***

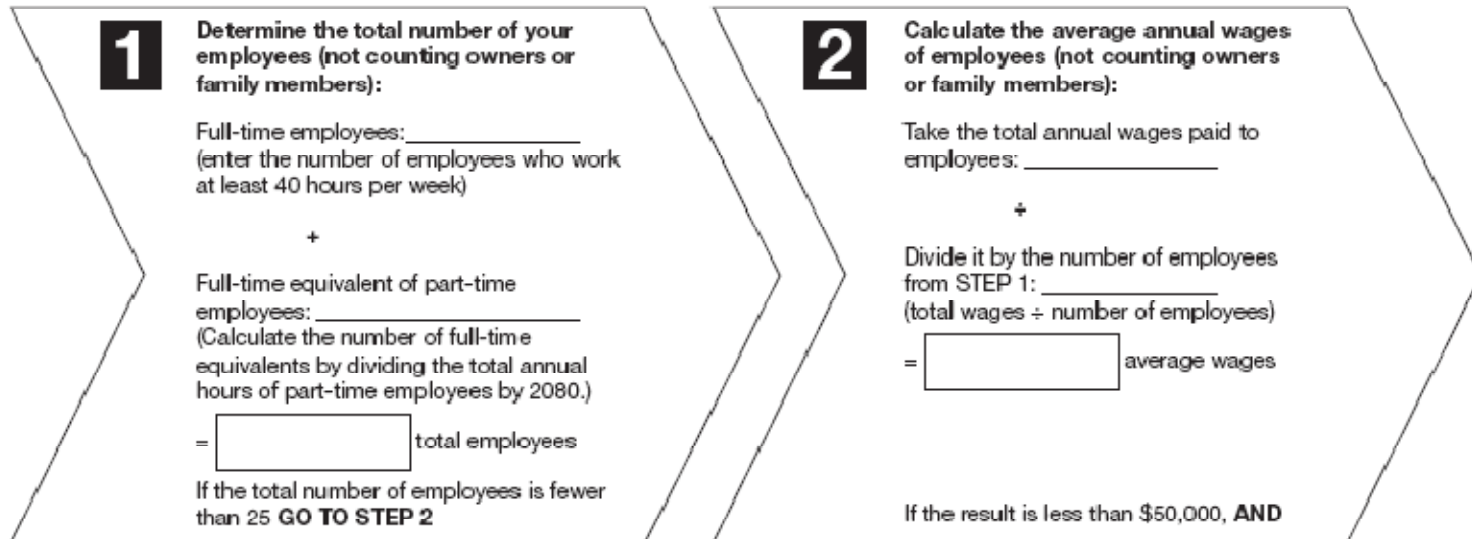
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### 3 SIMPLE STEPS

If you are a small employer (business or tax-exempt) that provides health insurance coverage to your employees, determine if you may qualify for the **Small Business Health Care Tax Credit** by following these three simple steps:



**3 You pay at least half of the insurance premiums for your employees at the single (employee-only) coverage rate, then**

**» you may be able to claim the Small Business Health Care Tax Credit.**  
**Find out more information at IRS.gov**

