



Small Business Tax Credits Under The New Healthcare Reform Law



Uncle Sam has been helping himself to your money. Here's how to get some back.



Health Insurance Business Tax Credit Under PPACA

(Patient Protection and Affordable Care Act)

Credit is available for tax years 2010 through 2013 and will be phased out in subsequent years.

- Credit of up to 35% applies to the employer paid portion of premium- not the whole premium.
- If employer pays 50% or more of the premium, the credit is up to 35% of the employer's portion only.
- Credit is given when the calculation meets the criteria and average salary is less than \$50,000.



Data Required To Calculate Your Potential Tax Credit

In order to calculate the credit due to your company, the following items are needed:

- 1) Number of Full Time Employees.
- 2) Average Salary for All Employees (Excluding owners and family members).



Data Required To Calculate Number of Full Time Employees

In order to calculate the credit due to your center, the following items are needed:

- 1) Number of full time employees working 40 hours per week.
- 2) Number of employees working less than 40 hours per week.



Data Required to Determine Average Salary

Total annual wages of employees (not counting owners or family members).

Divide by number of Full Time Employees.

Result is average annual salary.

Example

Calculating Full Time Employees

ABC Company has 9 employees, not including owners & family.

4 Full Time (2080 hours annually)

$$4(40 \text{ hrs} \times 52 \text{ weeks}) = 8,320 \text{ hours}$$

5 Part Time

$$5(20 \text{ hrs} \times 52 \text{ weeks}) = 5,200 \text{ hours}$$

Calculate Full Time Employees

$$8,320 + 5,200 = 13,520$$

$$13,520 / 2,080 = 6.5$$

Round down to nearest whole number = **6**



Example

Calculating Average Salary

For purposes of this example the following pay rates are used:

Full Time = \$10.00/hour, Part Time
\$8.00/hour

4 Full Time

$$4(\$10 \times 40 \text{ hours} \times 52 \text{ weeks}) = \$83,200$$

5 Part Time

$$5(\$8 \times 20 \times 52) = \$41,600$$

$$\$83,200 + \$41,600 = \$124,800$$





Example

Final Calculation

Average Wage Calculation

\$124,800 Total Wages

Divided by **6** Full Time Employees

= **\$20,800** Average Wage

Based on this example the employer takes a 35% general tax credit for the portion of premium they pay, as long as the employer is covering 50% or more of the employee's premium.

Refer to 2010-2013 Tax Credit Table.



Credit Example

4 Full Time Employees have Single coverage and the Employer pays 50% of the premium.

- Monthly premium for those employees is \$1,000 (\$12,000 annually)
- Credit of **\$175** monthly (35% of \$500)
- Credit of **\$2,100** annually, applied to the corporate taxes due. It is not a deduction, but a tax credit.



Tax Credit Table

Table I. Small Business Tax Credit as a Percent (Maximum of 35%) of Employer Contribution to Premiums, For-Profit Firms in 2010-2013 and Nonprofit Firms in 2014+

Firm Size	Average Wage					
	Up to \$25,000	\$30,000	\$35,000	\$40,000	\$45,000	\$50,000
Up to 10	35%	28%	21%	14%	7%	0%
11	33%	26%	19%	12%	5%	0%
12	30%	23%	16%	9%	2%	0%
13	28%	21%	14%	7%	0%	0%
14	26%	19%	12%	5%	0%	0%
15	23%	16%	9%	2%	0%	0%
16	21%	14%	7%	0%	0%	0%
17	19%	12%	5%	0%	0%	0%
18	16%	9%	2%	0%	0%	0%
19	14%	7%	0%	0%	0%	0%
20	12%	5%	0%	0%	0%	0%
21	9%	2%	0%	0%	0%	0%
22	7%	0%	0%	0%	0%	0%
23	5%	0%	0%	0%	0%	0%
24	2%	0%	0%	0%	0%	0%
25	0%	0%	0%	0%	0%	0%



For Further Information

Please call us to schedule a no-obligation consultation to review your benefit package and the implications under reform.

Work with Cor-Ben Consultants to stay informed of reform changes and how they apply to your business.

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