



# EMPLOYEE BENEFITS BULLETIN

*April 13, 2010*

## **Small Business Health Care Tax Credit**

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.

### **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 these simple steps](#).

### **Examples**

Scenarios illustrate [how the credit applies to employers in different circumstances](#).

### **Questions and Answers**

Need more detailed information? [We have answers](#).

### **For More Information**

News release [IR-2010-38](#), 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.