

The Small Business Health Care Tax Credit

What employers are eligible for the credit?

Small employers who:

- Employ fewer than 25 full-time equivalent (FTE) employees
- Pay wages averaging less than \$50,000 per employee per year
- Pay at least half the cost of single coverage for their employees

How much is the credit?

The maximum credit is 35 percent of premiums paid in 2010 by eligible small business employers and 25 percent of premiums paid by eligible employers that are tax-exempt organizations. In 2014, the maximum credit increases to 50 percent of premiums paid by eligible small business employers and 35 percent of premiums paid by eligible employers that are tax-exempt organizations.

The credit phases out gradually for small employers who employ more than 10 FTEs and those paying average annual wages greater than \$25,000 based on a formula.

When is the credit available?

Eligible small businesses can claim the credit as part of the general business credit starting with the 2010 income tax return they file in 2011. For tax-exempt employers, the IRS will provide further information on how to claim the credit.

Health Insurance Premium Credit

Who is eligible for the credit?

Individuals who meet the following requirements are eligible for an advanceable, refundable federal tax credit:

- Enrolled in a plan offered through an exchange
- Not eligible for other acceptable coverage (including Medicare, Medicaid, CHIP, coverage related to military service, or an employer-sponsored plan)
- Employees enrolled in an exchange through an employer who contributed toward that coverage
- Have household income less than 400% of federal poverty level

How much is the credit?

The amount of the credit is determined on a sliding scale and will be paid directly to the insurer to obtain coverage through an exchange, while the individual or family pays the difference in the cost of coverage. The effect is that those with incomes below 133% of federal poverty level will pay no more than two percent of their income for health insurance premiums to an exchange. Those with incomes of 400 percent of federal poverty level would pay no more than 9.5 percent of their income for health insurance premiums to an exchange.

When is the credit available?

The credits become available beginning in 2014.