



2014

IRSNationwide

Tax  
FORUM

# Small Business Health Care Tax Credit What You Need to Know



2014  
IRSNationwide

Tax  
FORUM

# What is the Small Business Health Care Tax Credit?

- Tax credit for small employers, including tax-exempt employers
- Help with the cost of providing health care coverage for low- and moderate-income workers
- Designed to encourage employers to offer first-time coverage and maintain existing coverage for employees



2014

IRSNationwide

Tax  
FORUM

# For Example

- Employer premium payments per year;  
 $\$15,000 \times 15 \text{ percent} = \$2,250$
- $\$2,250 \times 4 \text{ years (2010-2013)} = \$9,000$
- At 20%: the credit per year =  $\$3,000$ ,  
two years =  $\$6,000$



2014

IRSNationwide

Tax FORUM

# Small Business Health Care Tax Credit as a Percent of Employer Contribution to Premiums

Average Wage

Firm size	Up to \$25,000	\$30,000	\$35,000	\$40,000	\$45,000	\$50,000
Up to 10	50%	40%	30%	20%	10%	0%
11	47%	37%	27%	17%	7%	0%
12	42%	33%	23%	13%	3%	0%
13	40%	30%	20%	10%	0%	0%
14	37%	27%	17%	7%	0%	0%
15	33%	23%	13%	3%	0%	0%
16	30%	20%	10%	0%	0%	0%
17	27%	17%	7%	0%	0%	0%
18	23%	13%	3%	0%	0%	0%
19	20%	10%	0%	0%	0%	0%
20	17%	7%	0%	0%	0%	0%
21	13%	3%	0%	0%	0%	0%
22	10%	0%	0%	0%	0%	0%
23	7%	0%	0%	0%	0%	0%
24	3%	0%	0%	0%	0%	0%
25	0%	0%	0%	0%	0%	0%

Source: CONGRESSIONAL RESEARCH SERVICE, SUMMARY OF SMALL BUSINESS HEALTH INSURANCE CREDIT UNDER PPACA (P.L. 111-148) 3 (Apr. 5, 2010).



2014

IRSNationwide

TAX FORUM

# Which Employers Qualify?

- **Small employers who:**
  - Pay at least half of employee health insurance premiums (single coverage)
  - Have fewer than 25 full-time equivalent employees (FTEs) for the tax year
  - Pay average annual wages of less than \$50,000 per FTE



2014

IRSNationwide

Tax  
FORUM

# Who is Considered an Employee?

- All employees who perform services during the tax year are taken into account
- **Who's not?**
  - The owner
  - A partner
  - Shareholder of S Corporation owning more than 2%
  - Owner of more than 5% of other businesses
  - Family



2014

IRSNationwide

Tax  
FORUM

# Are There Any Additional Requirements?

- Qualified health insurance coverage:
  - Comprehensive health care coverage (pre-2014)
  - For medical care benefits
  - From an insurance company or other state-licensed entity
- These do not qualify:
  - Accident or disability only
  - Liability only
  - Workers comp
  - HRAs, FSAs or HSAs
- 2014 transition guidance



2014  
IRSNationwide

Tax  
FORUM

# What are the Changes to the Credit Beginning in 2014?

- **Looking back - 2010-2013**
  - Credit up to 35% for employers & 25 % for tax-exempt employers
- **Looking forward – 2014 & future**
  - Credit up to 50% for employers & 35% for tax-exempt employers
  - Requires coverage through SHOP (Marketplace)
  - Two consecutive years
  - Cost of living adjustment



2014

IRSNationwide

Tax FORUM

# How is the Credit Calculated?

Form **8941**

## Credit for Small Employer Health Insurance Premiums

OMB No. 1545-2198

**2013**

▶ Attach to your tax return.

Department of the Treasury  
Internal Revenue Service

▶ Information about Form 8941 and its separate instructions is at [www.irs.gov/form8941](http://www.irs.gov/form8941).

Attachment  
Sequence No. **63**

Name(s) shown on return

Identifying number

**XX INC.**

**XX-XXXXXX**

**Caution.** See the instructions and complete Worksheets 1 through 7 as needed.

- 1a** Enter the number of individuals you employed during the tax year who are considered employees for purposes of this credit (total from Worksheet 1, column (a)) . . . . .
- 1b** Enter the employer identification number (EIN) used to report employment taxes for individuals included on line 1a if different from the identifying number listed above . . . . .
- 2** Enter the number of full-time equivalent employees (FTEs) you had for the tax year (from Worksheet 2, line 3). If you entered 25 or more, skip lines 3 through 11 and enter -0- on line 12
- 3** Average annual wages you paid for the tax year (from Worksheet 3, line 3). If you entered \$50,000 or more, skip lines 4 through 11 and enter -0- on line 12 . . . . .
- 4** Premiums you paid during the tax year for employees included on line 1a for health insurance coverage under a qualifying arrangement (total from Worksheet 4, column (b)) . . . . .
- 5** Premiums you would have entered on line 4 if the total premium for each employee equaled the average premium for the small group market in which you offered health insurance coverage (total from Worksheet 4, column (c)) . . . . .
- 6** Enter the **smaller** of line 4 or line 5 . . . . .
- 7** Multiply line 6 by the applicable percentage:
  - Tax-exempt small employers, multiply line 6 by 25% (.25)
  - All other small employers, multiply line 6 by 35% (.35)
- 8** If line 2 is 10 or less, enter the amount from line 7. Otherwise, enter the amount from Worksheet 5, line 6 . . . . .

<b>1a</b>	<b>10</b>	
<b>1b</b>		
<b>2</b>	<b>7</b>	
<b>3</b>	<b>26,000</b>	<b>00</b>
<b>4</b>	<b>36,400</b>	<b>00</b>
<b>5</b>	<b>37,923</b>	<b>00</b>
<b>6</b>	<b>36,400</b>	<b>00</b>
<b>7</b>	<b>12,740</b>	<b>00</b>
<b>8</b>	<b>12,740</b>	<b>00</b>



2014

IRSNationwide

Tax  
FORUM

# Form 8941 – Common Errors

- Calculations using full-time equivalent employees (FTEs)
- Calculations of average annual wages
- Amounts paid for premiums
- Calculations using State average premium limitation



2014

IRSNationwide

Tax  
FORUM

# How to Claim

- Use Form 8941 to calculate the credit.
- Small business: include the amount as part of the general business credit on the income tax return – 1040, 1065, 1120 or 1120S.
- Tax-exempt organization: include the amount on line 44f of the Form 990-T.



2014

IRSNationwide

Tax  
FORUM

# Additional Savings Options for Some

- Alternative Minimum Tax offset
- Carryback/Carryforward unused credit
- Business expense deduction
- Refundable for tax-exempt employers



2014

IRSNationwide

Tax  
FORUM

# Recap for 2014 & Beyond

- Small business credit increases to 50%
- Tax-exempt employers credit increases to 35%
- Must purchase coverage through SHOP or qualify for transition relief
- Credit can be claimed for two consecutive taxable years
- Annual cost of living adjustment starts in 2014

*(Note: This is a federal credit; some states may have additional tax credits available, so check with the state)*



2014  
IRSNationwide

Tax FORUM

# Small Business Health Care Tax Credit Resource Page

[www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers](http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers)



[Subscriptions](#) | [Language](#) | [Information For...](#)

Advanced

Filing
Payments
Refunds
Credits & Deductions
News & Events
Forms & Pubs
Help & Resources
for Tax Pros

**News Essentials**

- What's Hot
- News Releases
- IRS - The Basics
- IRS Guidance
- Media Contacts
- Facts & Figures
- Problem Alerts
- Around the Nation
- e-News Subscriptions

**The Newsroom Topics**

- Multimedia Center
- Noticias en Español
- Radio PSAs
- Tax Scams
- The Tax Gap
- 2013 Fact Sheets
- 2013 Tax Tips
- Armed Forces
- Latest News Home

## Small Business Health Care Tax Credit for Small Employers



**Small employer? Get the credit you deserve.**  
*If you are a small employer...*  
*with fewer than 25 full-time equivalent employees,*  
*pay an average wage of less than \$50,000 a year, and*  
*pay at least half of employee health insurance premiums*

*...then there is a tax credit that may put money in your pocket.*

### What You Need to Know about the Small Business Health Care Tax Credit

**How will the credit make a difference for**

**Versión en Español**  
 Información acerca del [Crédito Tributario por Cuidados de Salud para Pequeñas Empresas](#)



2014

IRSNationwide

Tax FORUM

# Affordable Care Act Online Resources

## Taxpayer Advocate Service SBHCTC Estimator for 2010 - 2013

The screenshot shows the Taxpayer Advocate Service (TAS) website. The header includes the TAS logo with the tagline "YOUR VOICE AT THE IRS" and a search bar for "Key Terms". Navigation tabs are provided for "Individuals", "Businesses", "Tax Professionals", "About TAS", "Media Resources", and "Reports to Congress". The main content area is titled "Small Business Health Care Tax Credit Estimator" and includes a breadcrumb trail: "Home > Businesses > Small Business Tax Help and Resources > Small Business Health Care Tax Credit Estimator".

On the left side, there is a sidebar menu with the following items: "Small Business Recordkeeping", "Starting a Small Business", "Accelerated Write-Offs for Small Businesses", and "Small Business Health Care Tax Credit Estimator" (which is highlighted).

The main content area features the following text:

**Small Business Health Care Tax Credit Estimator**

If you're an employer who may be eligible for the Small Business Health Care Tax Credit, you can use this **Estimator**. The credit is designed to encourage small businesses to offer health insurance coverage for the first time or maintain coverage they already have. For some employers and tax-exempt organizations, this could save thousands of dollars by providing a credit against income tax (a refundable credit for certain tax-exempt organizations).

The Estimator can help determine whether you're eligible for the credit and if so, estimate the amount. This tool is meant to be educational. To find the actual amount, you must complete [Form 8941, Credit for Small Employer Health Insurance Premiums](#), or consult a qualified tax professional. The Estimator also provides links to forms, instructions, and guidance to help you learn more about the Small Business Health Care Tax Credit.

Below the text is a link: [Small Business Health Care Tax Credit Estimator](#)

On the right side, there are two sections:

**ADDITIONAL RESOURCES**

- [Small Business Health Care Tax Credit Estimator](#)
- [Health Care Tax Credit page](#)
- [Small Business Health Care Tax Credit for Small Employers](#)
- [Form W-2 Reporting of Employer-Sponsored Health Coverage](#)

**FORMS AND PUBLICATIONS**

- [Form 8941, Credit for Small Employer Health Insurance Premiums](#)
- [Instructions for Form 8941, Credit for Small Employer Health Insurance Premiums](#)

At the bottom right, there is a "TAS NEWS AND UPDATES" section with social media icons for Twitter, Facebook, YouTube, and RSS. Below that are two buttons: "Submit a tax reform suggestion!" and "Does your issue affect multiple MS".



2014  
IRSNationwide

Tax FORUM

# Affordable Care Act Online Resources

Healthcare.gov – Small Business Health Care Tax Credit Estimator

Small Business Healthcare Tax Credit Estimator

**Step 1: Tell us if you're a tax-exempt employer.**

Yes, I'm a tax-exempt employer  
 No, I'm not a tax-exempt employer

The credit is refundable for tax-exempt employers, but is limited to the amount of the tax-exempt employer's payroll taxes withheld during the calendar year.

**Step 2: Enter the number of full-time employees for the applicable tax year.**

Note: Enter the number of employees who work 40 or more hours per week. Find out [who should and shouldn't be included](#).

Full-time employees are employees who worked or who you expect to work the equivalent of 40 hours a week for 52 weeks (for a total of 2,080 hours each). If the total number of employees isn't a whole number, round it down to the nearest whole number.

**Step 3: Enter the part-time employee hours for the applicable tax year.**

If you're unsure of the number of part-time employee hours, use [this worksheet](#) to enter hours for each individual employee.

Hours for part-time employees who worked or you expect to work less than 40 hours per week, but



2014  
IRSNationwide

Tax FORUM

# Affordable Care Act Online Resources

[HealthCare.gov](http://HealthCare.gov)

[IRS.gov/ACA](http://IRS.gov/ACA)

[SBA.gov/healthcare](http://SBA.gov/healthcare)

The screenshot shows the HealthCare.gov homepage. At the top, it says "Open enrollment is over for 2014" and "See if you can still get coverage through the Marketplace or Medicaid/CHIP". Below this, there are several icons for "Report income or life changes", "Use your new coverage", "Apply a Marketplace", and "Learn about new & changing". The page also features a "Health Insurance Marketplace" section with "HEALTH INSURANCE BLOG" and "TOP CONTENT".

The screenshot shows the IRS.gov/ACA page. The main heading is "Affordable Care Act (ACA) Tax Provisions". It lists various categories: "Individuals & Families", "Employees", and "Other Organizations". Each category has a brief description and a link to "View this content". The page also includes a search bar and navigation links for "Home", "About Us", and "Contact Us".

The screenshot shows the SBA.gov/healthcare page. It features a navigation menu with "Starting & Managing", "Growth & Grants", "Contracting", "Learning Center", "Local Assistance", and "SBA Direct". The main content area is titled "Health Care" and includes a sub-heading "Key Provisions of the Affordable Care Act". It provides information about the ACA's impact on small businesses and offers a "Next Step" button.

[DOL.gov/ebsa/healthreform](http://DOL.gov/ebsa/healthreform)

[BusinessUSA.gov/healthreform](http://BusinessUSA.gov/healthreform)

The screenshot shows the DOL.gov/ebsa website. The main heading is "Affordable Care Act". It includes sections for "On this Page" with links like "Subscribe to this Page", "ACA Implementation Steps", and "ACA Regulations and Guidance". The "ACA Regulations and Guidance" section lists items such as "ACA Implementation Steps", "ACA Implementation, Premiums Applicable to Existing Group Health Plans", and "Automatic Enrollment, Employee Shared Responsibility, and Related Provisions".

The screenshot shows the BusinessUSA.gov website. The main heading is "Health Care Changes". Below the heading, there is a large green box with the text "Affordable health care is a top concern for businesses. In a few quick steps, this website can help you understand what you need to know about new insurance options and other health care changes as well as find health care related resources." A "Get Started" button is prominently displayed.