

## ***Affordable Care Act – Small Business Health Care Tax Credit – §45R***

### **Return Preparer Best Practices (Updated 01/2017)**

#### **Changes for tax years beginning in 2014 or later:**

- Credit percentage increases from 35% to 50% of employer-paid premiums (25% to 35% for tax-exempt employers)
- Small employers may claim the credit for only two consecutive taxable years beginning in tax year 2014 or any later year
- The average wage phase out (\$25,000 - \$50,000) is adjusted for inflation beginning in 2014. The beginning phase out amount is \$25,800 and the ending phase-out amount is \$51,800 for tax year 2016.

Generally, small employers are required to purchase a Qualified Health Plan (QHP) from a Small Business Health Options Program (SHOP) Marketplace to be eligible to claim the credit.

Small employers may continue to be eligible to claim the tax credit for tax years beginning in 2010 – 2013 as well. If an employer was eligible to claim this credit in prior years but did not claim it, consider whether to amend prior years' returns to claim the credit.

**Reminder: Refund limitations may apply.** Generally, a claim for refund must be filed within the later of 3 years from the time the return was filed or 2 years from the time the tax was paid, whichever of such periods expires the later, or if no return was filed by the taxpayer, within 2 years from the time the tax was paid.

### **Return Preparer Best Practices**

#### **Preparers should obtain the following information from employer clients to calculate the Small Business Health Care Tax Credit.**

1. SHOP QHP documentation from insurance agent or broker and letter of eligibility from state SHOP (unless transition relief applies)
2. Numbers of full time and part time employees and hours (see Form 8941 and Instructions for additional information regarding who is considered an employee for purposes of this credit)
3. Annual wages of employees
4. Employer premiums paid per employee
5. State tax subsidies or credit amounts
6. Cost of coverage for each employee
7. Payroll tax liability (tax-exempt employer clients only)
8. Pass-through credit info (from K-1s of other small employers), if any