



SMALL EMPLOYER TAX CREDIT

Overview

With the passage of the Patient Protection and Affordable Care Act (PPACA), Regence has prepared several documents for employers and brokers about the potential impact of the new law. This document includes information about a Small Employer Tax Credit that is available. Please read on for more information.

Beginning in 2010. Under the federal reform law, employers may be eligible for a tax credit if they:

- Have no more than 25 full-time equivalent employees
- Have annual average wages of \$50,000 or less, *and*
- Pay at least 50% of the premium

Employers meeting these pre-requisites may be able to claim a tax credit of 35% of the amount they pay for employee coverage or the state average premium, whichever is less.

Several items to note:

- This applies to all premiums paid in 2010, even if paid prior enactment of the new law.
- A family member of a business owner/partner, or other household members, are not considered employees for purposes of the tax credit. So if all employees are family members, employers will not be eligible for the tax credit.

Beginning in 2014. Jumping ahead to 2014, the small employer tax credit changes. At that point, the tax credit is 50% of paid premium (instead of 35%), but only for coverage purchased through the to-be-set-up Exchanges.

Detailed Information

Regence can provide basic information of the tax credit to its customers, but cannot give tax or legal advice. The IRS has provided detailed guidance for small employers. It is linked on Regence's Reform Spark page (under "employer impacts"). The IRS information includes:

- Main IRS Information Page:
<http://www.irs.gov/newsroom/article/0,,id=223666,00.html>
- 3 Simple Steps Flow Chart:
http://www.irs.gov/pub/irs-utl/3_simple_steps.pdf
- Examples of How the Credit Applies:
http://www.irs.gov/pub/irs-utl/small_business_health_care_tax_credit_scenarios.pdf
- Small Employer Tax Credit FAQs:
<http://www.irs.gov/newsroom/article/0,,id=220839,00.html>

Health insurers continue to receive information from Health and Human Services regarding the Patient Protection and Affordable Care Act. However, this information has and will continue to change. The information provided in this document should not be construed as legal advice.