

# Healthcare Reform Bulletin

New Guidance on the Small Business Tax Credit  
May 26, 2010



Included in the Affordable Care Act approved by Congress in March and signed into law by the President, the small business healthcare tax credit, which is in effect this year, is designed to encourage small employers to offer health insurance coverage for the first time, or maintain coverage they already have. To help small businesses determine if they are eligible for the new tax credit and, if so, how large a credit they will receive, the Internal Revenue Service issued new guidance on May 18, as described below.

In general, the credit is available to small employers that pay at least half the cost of single coverage for their employees in 2010. For tax years 2010 to 2013, the maximum credit is 35 percent of premiums paid by eligible small business employers and 25 percent of premiums paid by eligible employers that are tax-exempt organizations. The maximum credit goes to smaller employers -- those with 10 or fewer full-time equivalent (FTE) employees -- paying annual average wages of \$25,000 or less. The credit is completely phased out for employers that have 25 FTEs or more or that pay average wages of \$50,000 per year or more. Because the eligibility rules are based in part on the number of FTEs, not the number of employees, businesses that use part-time help may qualify even if they employ more than 25 individuals.

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 organizations, the IRS will provide further information on how to claim the credit.

Cornerstone can help you through the analysis and tax calculation to determine if you qualify for the credit. Call our office at 800-678-1700 and speak to your benefit advisor to arrange a meeting to discuss this tax savings opportunity.

For a copy of the Internal Revenue notice, go to:  
<http://www.irs.gov/pub/irs-drop/n-10-44.pdf>.

For a copy of the answers to frequently asked questions, go to:  
<http://www.irs.gov/newsroom/article/0,,id=220839,00.html>.

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