



### **8 Things to Know About the Small Business Health Care Tax Credit**

The Affordable Care Act's [small business health care tax credit](#) is intended to encourage small employers to offer health insurance coverage to their employees. Below are 8 things the IRS wants small employers to know about this credit:

- 1) **Maximum Credit:** The maximum credit is 50% of premiums paid by small employers.
- 2) **Number of Employees:** To be eligible for the credit, employers must have fewer than 25 full-time equivalent employees (for example, two half-time employee's equal one full-time employee for purposes of the credit).
- 3) **Average Annual Wages:** To qualify for the credit for 2015, the average annual wages of an employer's employees must not exceed \$51,600. The IRS adjusts this amount for inflation each year.
- 4) **Half the Premiums:** Employers must have paid at least 50% of the cost of premiums for all enrolled employees to be eligible for the credit.
- 5) **Qualified Health Plan:** Generally, to qualify for the credit employers must have purchased a qualified health plan from the [Small Business Health Options Program \(SHOP\) Marketplace](#). There are limited exceptions to this requirement (see IRS Q&A #4).
- 6) **Two Year Limit:** As of 2014, an eligible employer may claim the credit only for two consecutive taxable years.
- 7) **Tax Forms to Use:** Small employers claim the credit on their annual income tax returns by using [Form 8941](#) Credit for Small Employer Health Insurance Premiums.
- 8) **Unused Credit:** If the credit is more than an employer's tax obligation for the year, employers generally can carry the unused credit back or forward to other tax years. Additional guidance and resources from the IRS regarding the credit can be found here. For information on this subject, please log into your HR Library account which includes information on the above subject, as well as other State and Federal updates, laws and regulations concerning Employee Benefits, HR, and Reform.

[Click here](#) for an informative video on the Small Business Health Care Tax Credit

For more information about the Small Business Health Care Tax Credit contact your Total Benefit Solutions, Inc account manager at (215)355-2121 or visit your ThinkHR library at [www.thinkhr.com](http://www.thinkhr.com) and log in.