

Freeman & Williams, LLP (775) 882-3201

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Not sure if you qualify? Let us determine that for you. On page two is a checklist that can be used as a "quick and dirty" guideline. If it looks like things are in your favor, send it in to us along with your payroll information.

## Health Insurance Credit

Why wait until the end of the year to find out if you might be eligible for the new Small Employer Health Insurance Credit? For those who qualify under the healthcare reform bill, the credit can provide some relief from the rising cost of providing health insurance to your employees.

The provision provides for a credit of up to 35% of your health insurance premiums if:

- The employer has fewer than 25 full-time equivalent (FTE) employees,
- The average annual wages (as defined for FICA purposes without regard to the wage base limitation) are less than \$50,000 per FTE, and
- The employer pays at least 50% of the employees' health insurance cost

The credit will rise to 50% in 2014, but **only** for businesses that buy coverage through a state health insurance exchange. This topic is beyond the scope of this article and we will provide more information as 2014 approaches.

The maximum 35% credit is available to employers with 10 or fewer FTEs on the payroll and average yearly wages of less than \$25,000. The percentage decreases **very** rapidly for businesses with more employees and higher annual pay. The break is completely phased-out for businesses with 25 or more FTEs or average yearly wages of \$50,000.

The credit is further limited if your company pays more than the "average group premium" for small employers in your state. This amount is determined by the Department of Health and Human Services and published on the IRS' website ([www.irs.gov](http://www.irs.gov)).

There are several groups that are excluded from the calculation of FTEs and annual wages for purposes of the credit:

- Partners, sole proprietors, 2% owners of S firms, and 5% owners of corporations
- Family members of the above, which includes children and their spouses, spouses, parents, siblings and their spouses, nieces, nephews, aunts and uncles
- Seasonal employees who work for 120 days or fewer in a year

Leased employees are eligible for the credit.

Members of a controlled group or an affiliated service group are treated as a single employer for purposes of the credit. Thus, all employees of the group are pooled together to determine whether or not any credit can be claimed. The rules regarding controlled groups and affiliated service groups are complex. As such, please contact us if you have a group of related companies.

Eligible small businesses can claim the credit as part of the general business credit starting with the 2010 income tax return. Since the credit is claimed on your income tax return, it is vital that you inform your tax preparer as soon as possible so that it is not overlooked. Be prepared to provide copies of your payroll reports to substantiate any claims.



## Small Business Health Insurance Credit Checklist

\_\_\_\_\_ My business has 25 or fewer full-time equivalent employees

\_\_\_\_\_ My business pays average annual wages of \$50,000 or less

\_\_\_\_\_ My business pays at least 50% of the cost of health insurance for my employees

If the answer to all three of the above questions is "Yes," please complete the following information and return this checklist to us in the enclosed envelope. If you would like for us to evaluate whether your company potentially qualifies for the credit, we can use your 2009 payroll information as a guideline. Give us a list of your employees, the number of hours they worked, and their salary.

\_\_\_\_\_  
Business Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
Contact person (name and telephone number)

### Stay Tuned

Congress has been very busy during 2010. Many of the provisions are complex and phase in over a number of years. We will be keeping you informed throughout the year of what these changes are and how they will affect you and your business. You can find copies of this and prior letters on our website at [www.fwcpas.com](http://www.fwcpas.com).

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