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coverage provided to employees, but at least some small business owners might benefit from a special tax break.

Oct. 22, 2015



HEALTH CARE INSURANCE PREMIUM TAX CREDIT

(This is part of our series of “sweet 16”
year-end tax planning ideas.)

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Saving grace: A small business may benefit from a health insurance premium credit in 2015 if it provides health insurance coverage to employees. Effective for 2014 and thereafter, the maximum credit amount has increased from 35% to 50% of the cost of premiums contributed by a small business.

A small business is eligible for the credit if:

- It has fewer than 25 FTEs;
- The average annual wages of its employees are less than \$50,000 (adjusted for inflation to \$51,600 in 2015); and
- It pays a uniform percentage for all employees that is equal to at least 50% of the premium cost of employee-only insurance coverage.

Each part-time employee counts as a fraction of an FTE. For example, two half-time employees equal one FTE for purposes of the credit.

Beginning in 2014, a small business can qualify for the credit for health insurance only if the coverage is purchased through a Small Business Health Options Program (SHOP) Marketplace established under the ACA. Therefore, small employers should “SHOP around” and investigate their opportunities before the end of the year.

Note also that a small employer may claim the credit for only two consecutive tax years, beginning with the first taxable year in or after 2014 in which it attaches a Form 8941 (Credit for Small Employer Health Insurance Premiums) to its income tax return. However, if an employer claimed the credit in any of the years from 2010 – the year the credit first became available – through 2013, those years do not count towards the two-year restriction.

Finally, be aware that a new law signed on October 7 gives small employers a reprieve from increases in the health insurance premiums these employers would

likely owe, beginning in 2016. Other changes relating to the ACA may be

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