

NEW SMALL BUSINESS HEALTH CARE CREDIT

Effective for 2009, eligible small businesses can claim a credit for up to 35% of the cost of health insurance coverage paid on behalf of employees. This credit is a non refundable credit, however any unused credit can be carried forward. For 2010 thru 2013 the credit is 35%, increasing to 50% beginning in 2014. To be eligible, the following rules apply:

Eligibility Rules

- Providing health care coverage: A qualifying employer must cover at least 50 percent of the cost of health care coverage for some of its workers based on the single rate.
- Firm size: A qualifying employer must have less than the equivalent of 25 full-time workers (for example, an employer with fewer than 50 half-time workers may be eligible).
- Average annual wage: A qualifying employer must pay average annual wages below \$50,000.
- Both taxable (for profit) and tax-exempt firms qualify.**

Amount of Credit

- Maximum Amount: The credit is worth up to 35 percent of a small business' premium costs in 2010. On Jan. 1, 2014, this rate increases to 50 percent (35 percent for tax-exempt employers).
- Phase-out: The credit phases out gradually for firms with average wages between \$25,000 and \$50,000 and for firms with the equivalent of between 10 and 25 full-time workers.

For more information, check out the following IRS link.
<http://www.irs.ustreas.gov/newsroom/article/0,,id=223666,00.html>

SEPCPA 01/11/12

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