



BlueCross BlueShield of South Carolina  
BlueChoice HealthPlan of South Carolina

## Health Care Reform — Bulletin #3

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### Small Business Health Care Tax Credit

Small business owners can receive a tax credit to help them provide coverage to their employees starting with tax year 2010. The following information is summarized from the IRS FAQs found on the IRS Web site.

An employer can take this new tax credit if the employer meets the following requirements:

- a) Has no more than 25 full-time employee equivalents (FTEs) for the tax year
- b) Provides health care coverage to its employees under a qualifying arrangement and pays at least half of the insurance premiums for employees at the single (employee-only) coverage rate
- c) Its employees average less than \$50,000 in annual wages per FTE employee

This may include an employer that is tax-exempt under the IRS Code § 501 (a) or (c).

For tax years 2010 – 2013, employers may be able to claim this credit on their annual tax returns. The credit may be as much as 25 percent for tax-exempt employers, or 35 percent for all other small employers. The credit is on the amount of the premiums the employer pays for its employees, not including money contributed through a §125 cafeteria plan, and may also be affected by the average premium cost for a state. Very small employers, those with 10 or fewer employees (FTEs), will qualify for the largest allowable credits with the allowable credit decreasing as the number of employees goes up.

Part-time employees count toward the total number of FTEs, but seasonal workers may not be counted in all situations.

For more information on whether an employer can claim this credit, visit the IRS Web site at <http://www.irs.gov/newsroom/article/0,,id=220839,00.html> or consult your tax professional.

You may also want to complete the attached “3 Simple Steps” worksheet from the IRS to see if you qualify for the small business tax credit.

This communication is provided for informational purposes only and does not constitute legal advice or legal opinions. The information contained herein contains summaries of various portions of legislation addressing health care reform and is subject to change without notice. This information is not a substitute for legal advice from your lawyers.

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# 3 SIMPLE STEPS

If you are a small employer (business or tax-exempt) that provides health insurance coverage to your employees, determine if you may qualify for the **Small Business Health Care Tax Credit** by following these three simple steps:

**1**

**Determine the total number of your employees (not counting owners or family members):**

Full-time employees: \_\_\_\_\_  
(enter the number of employees who work at least 40 hours per week)

+

Full-time equivalent of part-time employees: \_\_\_\_\_  
(Calculate the number of full-time equivalents by dividing the total annual hours of part-time employees by 2080.)

=  total employees

If the total number of employees is fewer than 25 **GO TO STEP 2**

**2**

**Calculate the average annual wages of employees (not counting owners or family members):**

Take the total annual wages paid to employees: \_\_\_\_\_

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Divide it by the number of employees from STEP 1: \_\_\_\_\_  
(total wages ÷ number of employees)

=  average wages

If the result is less than \$50,000, **AND**

**3**

**You pay at least half of the insurance premiums for your employees at the single (employee-only) coverage rate, then**

» you may be able to claim the **Small Business Health Care Tax Credit**.  
Find out more information at **IRS.gov**

