



2015

Small Business Health Care Tax Credit



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Small Business Health Care Tax Credit

Do You Qualify?

The three steps (next column) assist small employers (business or tax-exempt) that provide health insurance coverage to employees determine if they may qualify for the Small Business Health Care Tax Credit.

Employees

The credit is reduced if the employer had more than 10 full-time equivalent employees (FTEs) for the tax year. If the employer had more than 25 FTEs for the tax year, the credit is reduced to zero. Generally, all employees who perform services during the year are taken into account when determining FTEs.

Excluded Employees

Hours, wages, and premiums paid of excluded employees are not counted when figuring this credit. Excluded employees include the owner of a sole proprietorship, partner in a partnership, shareholder who owns more than 2% of an S corporation, shareholder who owns more than 5% of a C corporation, person who owns more than 5% of the capital or profits of any other business that is not a corporation, and family members or a member of the household who qualifies as a dependent of any person listed above.

Seasonal Employees

Seasonal employees who work 120 or fewer days during the tax year are not considered employees in determining FTEs and average annual wages. But, premiums paid on

their behalf are counted. Seasonal workers include retail workers employed exclusively during the holiday seasons.

Do You Qualify?	
1) Does the employer pay at least 50% of the employee insurance premiums at the single (employee-only) coverage rate?	
If yes, continue to Step 2.	If no, stop here. You do not qualify for the credit.
2) Determine the total number of employees (not counting owners or family members).	
Full-time employees..... _____ (Enter number of employees that work at least 40 hours per week.)	
plus	
Full-time equivalent employees..... _____ (Calculate the number of full-time equivalents by dividing total annual hours of part-time employees by 2,080.)	
equals	
Total employees..... _____	
If the total number of employees is less than 25, continue to Step 3.	If no, stop here. You do not qualify for the credit.
3) Calculate the average annual wages of employees (not counting owners or family members).	
Total annual wages (Medicare wages) paid to employees..... _____	
divide by	
Number of total employees from Step 2 _____	
equals	
Average wages..... * _____	
* If the result is less than \$50,800, the employer may qualify for the Small Business Health Care Tax Credit.	

