

Does your business qualify for the Small Business Health Care Credit?

July 2010

As part of the recent Health Care Act, Congress has enacted the Small Business Health Insurance Tax Credit (the “Credit”). The Credit is available, starting this year and extending through 2013, for certain small employers that make nonelective contributions to purchase health insurance for their employees. The maximum amount of the Credit is 35 percent of the employer-paid premiums (but 25 percent for tax-exempt employers). An enhanced credit takes effect beginning in 2014.

This worksheet will help you determine whether your business might qualify for any part of the Credit this year.

I. TOTAL NUMBER OF EMPLOYEES

To qualify for the full amount of the Credit, an employer needs to have 10 or fewer full-time-employee equivalents. To qualify for any part of the Credit, the employer needs to have 25 or fewer equivalents.

- | | |
|--|--|
| o Total hours worked during the taxable year | _____ |
| o Less: hours worked by owners & their families ¹ | _____ |
| o Less: overtime hours worked ² | _____ |
| | <hr style="border-top: 3px double #000;"/> |
| o Adjusted total hours worked | _____ |
| o Divided by: 2,080 hours | _____ 2,080 _____ |
| | <hr style="border-top: 3px double #000;"/> |
| o Total Full-time Equivalent Employees (“FTEs”) | _____ |

If this amount is less than 26, proceed to Part II

¹ Wages of seasonal workers not working for the employer on more than 120 days during the tax year should also be included on this line.

² This line should include only those hours worked by any employee in excess of 2,080.

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II. AVERAGE ANNUAL WAGES

To qualify for the full amount of the Credit, the annual wages for the FTEs from Part I need to be less than \$25,000. To qualify for part of the Credit, the wages need to be less than \$50,000.

- o Total wages³ paid during the taxable year _____
- o Less: wages of owners & their families¹ _____

- o Adjusted wages _____
- o Divided by: Total FTEs _____

- o **Average annual wages** _____

If this amount is less than \$50,000, proceed to Part III

III. EMPLOYER-PROVIDED COVERAGE

To qualify for the Credit, an employer must have paid a uniform percentage (at least 50 percent) of the premium cost of coverage. The employer cannot count premiums paid pursuant to a salary reduction arrangement under §125 of the Internal Revenue Code.

- o Did the employer pay a fixed percentage of the employee's premium costs? YES / NO
- o Total premiums paid by employer _____
- o Less: premiums paid for owners & their families¹ _____

- o Adjusted total employer-paid premiums _____
- o Divided by: Total health insurance premiums paid⁴ _____

- o Percentage of the premiums covered by employer _____%

³ For this purpose, wages are calculated on the same basis as they are for FICA tax purposes.

⁴ This line includes the total premium costs paid by the employer and the employees.

Even if you did not cover a fixed percentage of the premium costs, you might qualify for the Credit as long as the requirements from Parts I and II are satisfied and the percentage calculated in Part III is at least 50 percent.

If you believe you qualify for the Credit, need assistance in completing this worksheet, or require additional information on the Health Care Act, please contact your WK advisor at (573) 442-6171 or (573) 635-6196.

Sincerely,

A handwritten signature in black ink that reads "Williams-Keepers LLC". The signature is written in a cursive, flowing style.

Williams-Keepers LLC