

Small Business Tax Credit

Under the federal healthcare reform law, known as the Patient Protection and Affordable Care Act, small businesses may be eligible for a tax credit to offset the cost of providing health insurance to employees. The tax credit, which is in effect now, is designed to encourage small employers to offer health insurance coverage for the first time or maintain the coverage they already provide.

To qualify, small businesses must:

- Have 25 or fewer full-time employees;
- Pay at least 50 percent of employees' health insurance premiums; and
- Pay annual average wages that are below \$50,000 per full-time employee.

How the tax credit is calculated:

- For tax years beginning in 2010 and through 2013, the tax credit is up to 35 percent (25 percent for tax exempt employees) of either the contribution employers made to pay their employees' premiums or an amount set by the U.S. Department of Health and Human Services (HHS), whichever is less.
- Beginning in 2014, the tax credit will be up to 50 percent (35 percent for tax exempt employees) of either the employer's premium contribution or an amount determined by HHS, whichever is less.

A [tax calculator](#) is available on [BCBSRI.com/together](#) to help small businesses determine the federal tax savings they could receive should they qualify for a credit. To use the calculator, just go to the small employer page of [BCBSRI.com/together](#), click on "Healthcare Reform Simplified" then "[Small Business Tax Credit Calculator](#)."

Additional notes:

- Employers can take the tax credit each year from 2010 to 2013.
- Starting in 2014, employers can only receive the credit for two consecutive taxable years.

For more information on the small business tax credit and other healthcare reform provisions, go to [healthcare.gov](#) or visit [AskBlue Healthcare Reform](#) on [BCBSRI.com/together](#).

If you have any other questions, please contact your broker or BCBSRI Account Representative.