

# Tax credits for small businesses

The Affordable Care Act created many health care and health insurance reforms. One of these reforms is a federal tax credit, available to small businesses with fewer than 25 full-time (or equivalent) employees who provide health insurance to those employees.

## Who is eligible to receive the tax credits?

In order to be eligible for the tax credit, all of the following must be true:

- You are a small business owner with fewer than 25 full-time employees.
- You pay at least 50% of the health insurance premium cost for your employees.
- Your employees, on average, make less than \$50,000 per year.

## Are non-profit or tax-exempt organizations eligible to receive the tax credits?

Yes, but the amount of the tax credit is lower, and some special rules may apply.

## How much is the tax credit?

A sliding scale of up to 35% of the employer's premium expense is available through 2013. Beginning in 2014, that increases to a maximum of 50%.

Employers with 10 or fewer full-time employees, paying annual wages of \$25,000 or less, will qualify for the maximum credit.

Non-profit and tax-exempt organizations are eligible for up to 25% of premium expenses through 2013. This amount increases to 35% beginning in 2014.

## What is the fine print?

Employers and their family members' expenses are not eligible to be applied toward the tax credit. Beginning in 2014, coverage must be purchased through the Health Insurance Marketplace to be eligible for the tax credit.

## Are seasonal employees counted toward the total number of full-time employees?

Generally, any employee who works fewer than 120 days each year does not need to be counted in the employee number.

## How is the tax credit claimed?

The credit is claimed on the business or organization's annual tax return by filling out Form 8941. The amount taken for the tax credit must be subtracted from any deductions claimed on the tax return. Visit the IRS website for more information: [www.IRS.gov](http://www.IRS.gov).

For more information on the tax credits available for small businesses, contact the Kansas Insurance Department:  
**800-432-2484**  
[commissioner@ksinsurance.org](mailto:commissioner@ksinsurance.org)

**insureKS.org**  
*get the facts. get informed. get insured.*



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# Health care reform *and* small businesses





**The Affordable Care Act (ACA) set up changes to the way people get health insurance, some of which may affect small business owners. The following Frequently Asked Questions (FAQs) will help you understand how the ACA could affect your small business.**

**Do I have to provide health insurance for my employees? If I don't will I have to pay a penalty?**

Small businesses with fewer than 50 full-time (or equivalent) employees will not be required to provide health insurance. They also will not have to pay a penalty for not providing coverage. They may receive tax credits if they choose to provide coverage. This includes more than 50,000 small businesses in Kansas.

Starting in 2015, businesses with 50 or more full-time employees may be charged a penalty if they do not provide proper health insurance to their employees and one or

more of their employees takes a federal tax credit or subsidy.

**Will I be able to buy my small business' health insurance policies through the Health Insurance Marketplace\*?**

Yes. In addition to the marketplace offering coverage to individuals and families, there will also be a marketplace, known as the SHOP marketplace, open for small businesses. From 2014-2015, this SHOP marketplace will serve small businesses with 50 or fewer employees. Beginning in 2016, this is to expand to include businesses with up to 100 employees.

**How difficult will it be to use the SHOP marketplace?**

A number of provisions are included in the ACA to ensure the application process will be as simple as possible, including:

- one simple enrollment form to enroll

*\* the exchange is now called the "marketplace"*

- employees and small businesses;
- multiple levels of benefit packages with streamlined formatting to ensure easy comparison; and
- automatic screenings to see if any employees or their dependents are eligible for any public health programs, such as Medicaid or the Children's Health Insurance Program (CHIP).

**Where can I get more information on how my small business will be affected by the ACA?**

Visit the Kansas Insurance Department website, [www.ksinsurance.org/healthreform](http://www.ksinsurance.org/healthreform), to get the latest news and information on how health care reform will affect your business. You can also call KID's Consumer Assistance Hotline at 800-432-2484, or call the national SHOP marketplace toll free number at 800-706-7893. You can also visit [insureKS.org](http://insureKS.org) to get more information about the marketplace in Kansas.