



IRS Releases Final Form to Claim Small Employer Health Care Tax Credit

December 8, 2010

On December 2, 2010, the Internal Revenue Service (IRS) released the final version of the form that small businesses can use to calculate the Small Business Health Care Tax Credit for the 2010 tax year. The tax credit is effective for tax years beginning in 2010 and is available to certain small employers that provide health care coverage to their employees. The IRS also announced how eligible tax-exempt organizations, which do not generally file income tax returns, can claim the credit.

Eligibility for the Small Business Tax Credit

The credit is generally available to small employers that have fewer than 25 full-time equivalent (FTE) employees, pay wages averaging less than \$50,000 per employee per year, and contribute a uniform percentage (not less than 50%) of the premium cost for each enrolled employee's health insurance coverage (50% of the premium cost of single coverage for each enrolled employee for 2010 tax year only).

For tax years 2010 to 2013, the *maximum* credit is 35 percent of premiums paid by eligible small businesses and 25 percent of premiums paid by eligible tax-exempt organizations. The *maximum* credit goes to smaller employers — those with 10 or fewer full-time equivalent (FTE) employees - paying annual average wages of \$25,000 or less. Beginning in 2014, the *maximum* tax credit will increase to 50 percent of premiums paid by eligible small business employers and 35 percent of premiums paid by eligible tax-exempt organizations.

Form 8941 – Calculating the Small Employer Tax Credit

The IRS has posted the final [Form 8941](#), Credit for Small Employer Health Insurance Premiums, and newly revised draft [Form 990-T](#), Exempt Organization Business Income Tax Return, on their website. Eligible small businesses will first use Form 8941 to figure the credit and then include the amount of the credit as part of the general business credit on its income tax return. Tax-exempt organizations will first use Form 8941 to figure their refundable credit, and then claim the credit on Line 44f of Form 990-T.

The resources listed below contain additional information about the tax credit:

- Instructions for Form 8941: <http://www.irs.gov/pub/irs-pdf/i8941.pdf>
- IRS Press Release: <http://www.irs.gov/newsroom/article/0,,id=231928,00.html>
- FAQ: <http://www.irs.gov/newsroom/article/0,,id=220839,00.html>

For additional information, please contact your Lawley Benefits Consultant.

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