

Healthcare Reform and the Affordable Care Act:

How Will it Impact Business?



What does the Healthcare Reform mean for Business and Business Owners?

Small businesses often face steep premiums for health insurance coverage and, as a result, their workers are more likely to be uninsured than those who work for larger companies. Various provisions of the Affordable Care Act are intended to assist with improving coverage strategies. The most targeted effort now in effect is a federal tax credit that will offset up to half of the premium costs for small businesses

What Types of Tax Credits and Incentives do Business Owners have?

The Affordable Care Act contains new benefits and responsibilities for employers. The size and structure of a workforce – small, large, or part of a group – helps determine how tax credits and incentives will apply.

Small Business Fewer than 50 Employees

Beginning Oct. 1, 2013, any business with 50 or fewer employees can purchase affordable insurance through the **Small Business Health Options Program (SHOP)**.

The Small Business Health Options Program (SHOP) allows employers to:

- Control the coverage they offer and how much they pay toward employee premiums.
- Compare health plans online allowing for a better decision making process that's right for the business.

Starting Jan. 14th, employers may qualify for a **Small Business Health Care Tax Credit** worth up to 50% of your premium costs.

- Eligibility requires employing fewer than 25 full-time equivalent employees making an average of about \$50,000 a year or less.

Mandate states that an employer who pays at least 50% of their full-time employees' premium costs will receive a tax credit for the remaining 50% (35% for tax-exempt employees).

- Does not include part-time employees or to dependents.

The tax credit is highest for companies with fewer than 10 employees who are paid an average of \$25,000 or less.

The **mandate for small business owners** to provide insurance options for their employees will be effective in **2015** with a penalty of up to **\$3,000** for small business owners who fail to comply.

The credit is available only if you get coverage through the SHOP Marketplace.

Large Business 50 or More Employees

Any businesses with 50 or more employees are considered a "large business" under the health care law and are **ineligible** to use the SHOP Marketplace.

- However, starting in 2016, all SHOPs will be open to employers with up to **100** full time employees.

Beginning in 2015, the **Employer Shared Responsibility Payment** is a new payment requirement under the health care law for employers who:

- Employ 50 or more full-time employees
- At least 1 of their full-time employees gets lower costs on their monthly premiums through the Exchange Marketplace

The amount of the annual Employer Shared Responsibility Payment is based partly on *whether an employer offers insurance*.

- If employer **does not** offer insurance, the annual payment is \$2000 per full-time employee (excluding the first 30 employees)
- If employer **does** offer insurance, but the insurance is not affordable, the annual payment is \$3000 per full-time employee who qualifies for premium savings in the Marketplace.

How does the Federal Government define *Affordable*?

- If an employee's share of the premium costs for employee-only coverage is **more than 9.5% of their yearly household income**, the coverage is not considered affordable

Unlike employer contributions to employee premiums, the Employer Shared Responsibility Payment is *not* tax deductible.

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Example of an Employer Receiving Credit

Example 1: Auto Repair Shop with 10 Employees Gets \$24,500 Credit for 2010

Main Street Mechanic:

Employees: 10

Wages: \$250,000 total, or \$25,000 per worker

Employee Health Care Costs: \$70,000

2010 Tax Credit: \$24,500 (35% credit)

2014 Tax Credit: \$35,000 (50% credit)

Source: IRS.Gov/ pub/irs-utl/small_business_health_care_tax_credit_scenarios.pdf

IRS Tax form for small businesses: **Form 8941- Credit for Small Employer Health Insurance Premiums.**
www.irs.gov/form8941

Healthcare.gov encourages all small business owners and stakeholders who have questions about the SHOP Marketplace to call:

1-800-706-7893 (TTY users: 1-800-706-7915).

Hours: **Monday through Friday, 9 a.m. to 5 p.m. EST.**

References

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- ⁶Internal Revenue Service. (2013). Form 8491 Credit for Small Employer Health Insurance Premiums. Retrieved from www.irs.gov/form8941

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