

What does the new health law mean for employers?

The Basics

The new health law does several things to both reduce the number of people without insurance and bring down the cost of health insurance across the board. Specifically, it will:

- Require everyone to have insurance by 2014.
- Create health insurance Exchanges for individuals and small businesses. Exchanges will help businesses and families compare discounted insurance plans, prices, and benefits.
- Provide subsidies to help low- and middle-income people who don't have an employer based health coverage pay for it.

Employer Requirements

The new law preserves our employer-based health insurance system. Ninety-six percent of all firms will face no new requirements. But, some larger employers will have new requirements.

- **Employers with over 200 employees** must automatically enroll employees in employer health plans (employees can opt out).
- **Employers with over 50 employees** who do not offer health insurance and have at least one full-time employee who gets a premium credit in the Exchange will pay a penalty to the government of \$2,000 per full-time employee per year (excluding the first 30 employees).

If an employer does offer insurance, but still has at least one full-time employee getting premium credits because the employee's insurance cost-sharing is too high, the employer will pay the lesser of: \$3,000 per employee receiving a premium credit or \$2,000 per full-time employee. To avoid penalties, some employers can offer "free choice" vouchers that let employees buy coverage in the Exchange.



The new health reform law helps small businesses to offer health insurance to their employees.

- **Employers with under 50 employees** are exempt from requirements and penalties.
- **Employers with under 25 employees** who offer health insurance and pay at least 50% of the cost of it may be eligible for tax credits to help pay for their share of the cost.

Tax Credits for Small Businesses

The new law does not require small businesses to offer coverage, but starting in 2010 it will offer tax credits of up to 35% of the employer's share to help those who wish to do so anyways. This credit will increase to as much as 50% in 2014 and will be available to both for-profit and non-profit employers.

- To qualify for tax credits, employers must have under 25 employees with average annual wages of less than \$50,000. Credit amounts will be on a sliding-scale depending on the number of employees and the dollar amount of their average annual earnings.
- To qualify for the full credit amount, an employer must have 10 or fewer employees with average wages of \$25,000 or less.
- The tax credit may be claimed for up to 6 years total. It can be used every year from 2010-2013. Starting in 2014, businesses may only claim it for two years.

Join Health Care For All New York (HCFANY) by going to:

www.hcfany.org

This fact sheet was prepared for Health Care For All New York by the Community Service Society of New York (CSS): www.cssny.org

Small Business Tax Tips from the IRS



The recently enacted Patient Protection and Affordable Care Act could earn you a new tax credit this year for providing health insurance for your employees

If your small business or tax-exempt organization pays employee health insurance premiums in 2010, you may be eligible to claim a new credit on your 2010 tax return. Employers with fewer than 25 employees (more if you have part-time employees), and less than \$50,000 in average wages, may be eligible.

How much you may receive

Eligible small employers could qualify for a **credit worth up to 35% of premiums** paid in 2010 (for businesses) or **25% of premiums paid** (for tax-exempt groups).

Find out if you're eligible

Visit www.irs.gov or consult your tax professional to learn more about whether your small business qualifies for this valuable incentive to provide health coverage for your employees.

Visit www.irs.gov for more information

Notice 1397 (4-2010) Catalog Number 54941Y Department of the Treasury Internal Revenue Service www.irs.gov

3 SIMPLE STEPS

If you are a small employer (business or tax-exempt) that provides health insurance coverage to your employees, determine if you may qualify for the **Small Business Health Care Tax Credit** by following these three simple steps:

1 Determine the total number of your employees (not counting owners or family members):

Full-time employees: _____
(enter the number of employees who work at least 40 hours per week)

+

Full-time equivalent of part-time employees: _____
(Calculate the number of full-time equivalents by dividing the total annual hours of part-time employees by 2080.)

= total employees

If the total number of employees is fewer than 25 **GO TO STEP 2**

2 Calculate the average annual wages of employees (not counting owners or family members):

Take the total annual wages paid to employees: _____

÷

Divide it by the number of employees from STEP 1: _____
(total wages ÷ number of employees)

= average wages

If the result is less than \$50,000, **AND**

3 You pay at least half of the insurance premiums for your employees at the single (employee-only) coverage rate, then

» you may be able to claim the **Small Business Health Care Tax Credit**.
Find out more information at IRS.gov

