



Memorandum - Health Care Tax Credit

Eligibility Rules:

- Provide health care coverage of at least 50 percent of the cost of health care coverage for some of its employees based on coverage at a single rate (for the employee only).
- Firm size is less than the equivalent of 25 full-time workers (for example, an employer with fewer than 50 half-time workers may be eligible).
- Average annual wage is below \$50,000.

Amount of Credit:

- Maximum credit is worth up to 25 percent of premium costs in 2010 for tax exempt employers. The credit increases to 35 percent in 2014
- Phase out occurs gradually for employers with average wages between \$25,000 and \$50,000 and for organizations with the equivalent of between 10 and 25 full-time workers.

For example:

- Organization has 9 full-time equivalent workers
- Wages are a total of \$198,000 which averages \$22,000 per worker
- Employee Health Care costs are \$72,000
- 2010 Tax Credit - \$18,000 (25% credit)
- 2014 Tax Credit - \$25,200 (25% credit)

YouTube Video explaining the tax credit:

<http://www.youtube.com/watch?v=85i1kzIG57k>

How to Get the Refund:

Not-for-profit organizations complete Form 8941 Credit for Small Employer Health Insurance Premiums with its 2010 tax return. Tax-exempt organizations will claim the refund on Form 990-T. The Form 990-T is currently used by tax-exempt organizations to report and pay the tax on unrelated business income. It has been revised for 2010 to also be used to claim the small business health care tax credit.