SMALL EMPLOYER CREDIT: FAQs

Tax-exempt organizations are now eligible to claim the small-employer tax credit for providing health insurance coverage for their employees. The IRS has recently provided some updated information and tips on its website regarding the eligibility requirements and more official guidance is expected soon.

The Small Business Majority website has a tax credit calculator that will help you determine your organization's eligibility for the small employer health care tax credit. The calculator includes a function to calculate the credit based on nonprofit employer status.

Calculate your small-employer tax credit

Frequently Asked Questions

Does my organization qualify for the tax credit?

- Qualifying 501 (c) organizations must pay at least half of their employees single coverage premiums
- Qualifying organizations will have 25 or fewer full-time equivalent employees and less than $50,000 average wages per employee per year
- Only organizations with less than 10 full-time equivalent employees with average wages less than $25,000 are eligible for the full credit

What is the maximum credit that a qualifying organization may take immediately?

- From 2010-2013, qualifying organizations may receive a credit of up to 25% of the premiums paid.
- By 2014, qualifying organizations may receive a credit of up to 35% of premiums paid if they are purchasing an insurance plan through the exchange

How are my employees counted for eligibility requirements?

- Eligibility is determined by the number of full-time equivalent employees instead of the number of individual employees
- To determine the number of full-time equivalent employees, divide the total hours of paid work-time by your organization by 2080 (which equals 40 hours multiplied by 52 weeks)
• The hours of leased employees are included, but not seasonal workers working less than 120 hours

**How are average wages determined?**

• Divide the amount of total wages paid by the number of full-time equivalent employees

**How do we claim the credit?**

• Small employer credit may be claimed against three payroll taxes that tax-exempt organizations pay to the IRS
  - Employer share of Medicare withholding
  - Employee share of Medicare withholding
  - Federal income taxes withheld by the employer on behalf of the employee (Employees will continue to receive credit for their withheld income tax payments)

**How long is my organization eligible?**

• The credit of up to 25% may be taken immediately through 2013
• The credit of up to 35% may be taken for two years beginning in 2014 if insurance is purchased through the exchange