

SUMMARY OF AFFORDABLE CARE ACTS (ACA) PROVISION FOR SMALL BUSINESS

The Affordable Care Acts go into effect in 2014 making health insurance mandatory for most Americans.

Employer Shared Responsibility:

- A small business with less than 50 full-time employees is not required to provide insurance to its employees.
- Businesses with 100 or more full-time employees must offer insurance or face a penalty beginning on January 1, 2015.
- Businesses with 50 – 99 full-time employees are required to provide insurance to their employees and are subject to the penalty beginning January 1, 2016.

Under the Employer Shared Responsibility provisions, if these employers do not offer affordable health coverage that provides a minimum level of coverage to their full-time employees (and their dependents), the employer may be subject to an Employer Shared Responsibility payment if, at least one of its full-time employees receives a premium tax credit for purchasing individual coverage on one of the new Affordable Insurance Exchanges, also called a Health Insurance Marketplace (Marketplace).

Penalty:

\$2000 per employee per year beginning with the 31st employee.

Full-time Employee (FTE)

As defined by the statute, a full-time employee is an individual employed on average at least 30 hours of service per week.

Small Business Healthcare Credit:

Small businesses that provide health care coverage may be eligible for tax credits (claimed on form 8941) if they meet the following criteria:

- Have fewer than 25 full-time employees
- Pay an average wage/salary less than \$50,000
- Contribute at least 50% of the cost of employee-only (not family or dependent) premiums.

<u>Year</u>	<u>Maximum Tax Credit for Business as a % of Insurance</u>	<u>Maximum Tax Credit for Tax-Exempt as a % of Insurance Premium</u>
2010-2013	35%	25%
2014	50%	35%

The credit has been available beginning 2010 and there is no limit to the number of years that the business can take the credit for years prior to 2014.

Beginning in 2014, the credit will only be available if the business purchases health insurance through a state exchange. The credit is available for a total of two consecutive years and is based on a sliding scale.

Employers with 10 or fewer full-time employees and paying annual average wage of \$25,000 or less qualify for the maximum credit.

The credit is refundable for small tax exempt employers.

You must file form 990T in order to claim the credit even if you don't ordinarily do so. As a small business employer, you may be able to carry the credit back or forward.

New Forms for Individuals:

You will be receiving the following forms that show details of your insurance coverage including effective date, amount of premium and the advance tax credit.

<u>Form</u>	<u>Issued By</u>
1095A	Market Place (If you purchased insurance through The Health Insurance Marketplace)
1095B	Private Insurer
1095C	Employer