



**LCS&Z, L.L.P. Certified Public Accountants and Consultants**

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**THE PATIENT PROTECTION AND AFFORDABLE CARE ACT  
Small Business Health Care Tax Credit**

**E**ffective January 1, 2010, the Small Business Health Care Tax Credit<sup>1</sup> is available to eligible employers who employ no more than 25 full-time<sup>2</sup> equivalent employees and pay at least 50% of health insurance premiums for their employees under a “qualifying arrangement”.<sup>3</sup> Rates of credit for years 2010-2013 for small businesses and nonprofit organizations are 35% and 25% of health insurance premiums that the employers pay for their employees, respectively. Starting in 2014, the credit for small businesses and nonprofit organizations will increase to 50% and 35%, respectively.

This credit is subject to two phase outs:

- i) Between 10 and 25 full-time equivalent<sup>4</sup> employees;
- ii) Average annual wages<sup>5</sup> of employees between \$25,000 and \$50,000.

Each qualified employer<sup>6</sup> may claim this credit for four years starting with its tax year beginning in 2010. For tax years beginning after 2013, small employers must purchase health insurance coverage for their employees through an exchange in order to claim this credit for an additional two consecutive years. The IRS will be providing further guidance for nonprofit organizations to claim this credit.

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**Please contact us at (518) 783-7200 or [lcsz@lcszcpa.com](mailto:lcsz@lcszcpa.com) if you need further information concerning the above.**  
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<sup>1</sup> This credit is a general business tax credit.  
<sup>2</sup> An employee works at least 40 hours per week.  
<sup>3</sup> Subject to other requirements, a qualifying arrangement stipulates a uniform percentage of premiums that the employers pay for each of their employees’ health care coverage.  
<sup>4</sup> Full-time equivalent = total annual hours of part-time employees divided by 2,080 hours. Seasonal worker hours and wages are not counted unless that seasonal worker works more than 120 days in the tax year.  
<sup>5</sup> The average annual wages do not count the wages/ salaries of owners or their family members.  
<sup>6</sup> Qualified employers do not include governmental employers.