



HCTT-2015-38: Get to Know the Small Business Health Care Tax Credit

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Get to Know the Small Business Health Care Tax Credit

If you are a [small employer](#), you might be eligible for the [Small Business Health Care Tax Credit](#), which can make a difference for your business. To be eligible for the credit, you must:

- have purchased coverage through the Small Business Health Options Program - also known as the SHOP marketplace
- have fewer than 25 full-time equivalent employees
- pay an average wage of less than \$50,000 a year
- pay at least half of employee health insurance premiums

For tax years beginning in 2014:

- The maximum credit increases to 50 percent of premiums paid for small business employers and 35 percent of premiums paid for small tax-exempt employers.
- To be eligible for the credit, you must pay premiums on behalf of employees enrolled in a qualified health plan offered through a Small

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Business Health Options Program Marketplace or qualify for an exception to this requirement.

- The credit is available to eligible employers for two consecutive taxable years. Even if you are a small business employer who did not owe tax during the year, you can carry the credit back or forward to other tax years. Also, since the amount of the health insurance premium payments is more than the total credit, eligible small businesses can still claim a business expense deduction for the premiums in excess of the credit. That's both a credit and a deduction for employee premium payments.

There is good news for small tax-exempt employers, too. The credit is refundable, so even if you have no taxable income, you may be eligible to receive the credit as a refund so long as it does not exceed your income tax withholding and Medicare tax liability. Refund payments issued to small tax-exempt employers claiming the refundable portion of credit are subject to sequestration.

Finally, if you can benefit from the credit even if you forgot to claim it on your 2014 tax return; there's still time to file an amended return. Generally, a claim for refund must be filed within three years from the time the return was filed or two years from the time the tax was paid, whichever of such periods expires later. For tax years 2010 through 2013, the maximum credit is 35 percent of premiums paid for small business employers and 25 percent of premiums paid for small tax-exempt employers such as charities.

You must use [Form 8941](#), Credit for Small Employer Health Insurance Premiums, to calculate the credit. For detailed information on filling out this form, see the [Instructions](#) for Form 8941. If you are a small business, include the amount as part of the general business credit on your income tax return.

If you are a tax-exempt organization, include the amount on line 44f of the [Form 990-T](#), Exempt Organization Business Income Tax Return. You must file the Form 990-T in order to claim the credit, even if you don't ordinarily do so.

For more information about the credit, visit the [Small Business Health Care Tax Credit page](#) on IRS.gov/aca.

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