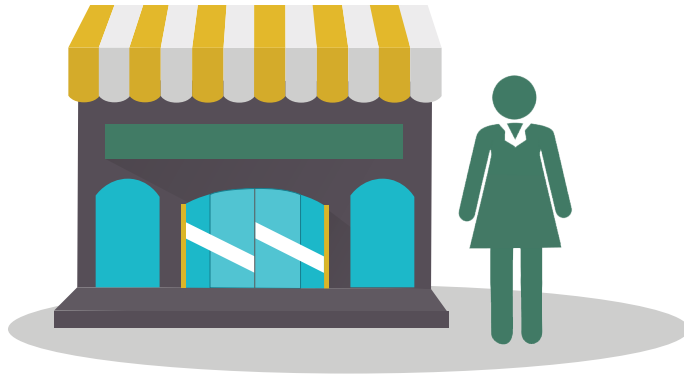


Small Business Tax Credit



FOR **SMALL
BUSINESS**



Tax Credits Make Providing Employee Insurance More Affordable

The Patient Protection and Affordable Care Act includes a small business federal health care tax credit to help make employee health insurance more affordable. Employers may qualify for this tax credit to help offset the cost of enrolling their employees in health insurance.

By purchasing health insurance through Covered California for Small Business, employers with one to 50 eligible employees can choose from a range of health plans without the burden of additional administrative duties. Covered California for Small Business is streamlining the process of choosing health plans and enrolling employees so employers can focus on running their business. Starting on January 1, 2016, employers with 100 or fewer employees will be eligible to provide employees with health insurance from Covered California for Small Business.



Qualifying for the Tax Credit

Small businesses are eligible for a health care tax credit if they have fewer than 25 full-time-equivalent employees for the tax year, pay employees an average of less than \$50,000 per year and contribute at least 50 percent toward employees' premium cost. This contribution requirement also applies to add-on coverage, such as vision, dental and other employer sponsored coverage.

Employers with 10 or fewer full-time-equivalent employees with wages averaging \$25,000 or less are eligible for the maximum amount of tax credits. Nonprofit or tax-exempt employers must meet the same criteria as other small businesses, but their tax credits will be somewhat lower.

Covered California for Small Business allows employers to compare a number of qualified, competing health insurance plans from private insurance companies.

Through Covered California, small businesses are able to offer different plans to their employees, something that few small employers have been able to do easily until now.

Tax credits are available for eligible small business owners for two consecutive tax years.



Determining Tax Credit Amount and Duration



The tax credit employers receive will depend on a number of factors, including the number of full-time-equivalent employees and the amount the employer contributes toward insurance premiums. Eligible employers can claim the tax credit for a total of two consecutive years.

Tax Year	Maximum Tax Credit as a Percentage of Premium Expenses	Maximum Tax Credit for Tax-Exempt Organizations as a Percentage of Premium Expenses
Tax credit available for two consecutive tax years.	50%	35%

The maximum tax credit available is 50 percent of premium expenses, and the maximum credit for tax-exempt employers is 35 percent. Small businesses must purchase health insurance through Covered California for Small Business to be eligible for tax credits offered.

The amount of the tax credit cannot exceed the total income and Medicare tax the employer is required to withhold from employees' annual wages, plus the employer's share of the Medicare tax.

Example of Small Business Receiving Tax Credit for Health Insurance: Beauty Shop with 10 Full-Time-Equivalent Employees	
Employees	10 full-time-equivalent employees
Wages	\$250,000 total, or an average of \$25,000 per employee
Employee Health Insurance Cost	\$70,000
Tax Credit (Year 1)	\$35,000 (50%)
Tax Credit (Year 2)	\$35,000 (50%)
Tax Credit (Year 3)	Not eligible for tax credit



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