

Healthcare Reform Update & Alert



May 12, 2010

WithumSmith+Brown's Healthcare Reform Advisory Team releases "Benefits of New Healthcare Tax Credit"

In response to President Obama's Healthcare Reform policy and the impact it will have upon businesses of all sizes, WithumSmith+Brown has formed a Healthcare Reform Advisory Team. The group is comprised of WS+B's most seasoned healthcare and tax professionals, whose mission is to answer and address client questions and issues related to this new federal policy.

"This policy is going to affect every size business from every industry," says Anthony Panico, CPA, WS+B partner and team leader of this advisory group. "Members of the Healthcare Reform Advisory Team are here to help you navigate the new rules and regulations of this policy."

WS+B's Healthcare Reform Advisory Team has released the following information about the benefits of a new healthcare tax credit that affects small businesses:

Small business owners will be receiving a postcard from the IRS, if not already.

The postcard will alert them to one of the first healthcare reform provisions to go into effect, as part of the Patient Protection and Affordable Care Act. The credit, which takes effect this year, is designed to encourage small employers to offer health insurance coverage for the first time or maintain coverage they already have.

In general, the credit is available to small employers that pay at least half the cost of single coverage for their employees in 2010. The credit is specifically targeted to help small businesses and tax-exempt organizations that primarily employ low- and moderate-income workers.

For tax years 2010 to 2013, the maximum credit is 35 percent of premiums paid by eligible small business employers, and 25 percent of premiums paid by eligible employers that are tax exempt organizations. The maximum credit goes to smaller employers -- those with 10 or fewer full-time equivalent (FTE) employees -- paying annual average wages of \$25,000 or less.

Because the eligibility rules are based in part on the number of FTEs, not the number of employees, businesses that use part-time help may qualify even if they employ more than 25 individuals. The credit is completely phased out for employers that have 25 FTEs or more or that pay average wages of \$50,000 per year or more.

Eligible small businesses can claim the credit as part of the general business credit starting with the 2010 income tax return they file in 2011. For tax-exempt organizations, the IRS will provide further information on how to claim the credit.

If you have any questions please contact our Healthcare Reform Advisory Team at 732.842.3113 or email healthcare@withum.com