

Chronicle of Philanthropy:
March 22, 2010, 11:38 AM ET

Health Care Bill Offers Tax Credit to Small Charities

By [Suzanne Perry](#)

The historic health-care bill adopted by the House of Representatives Sunday night provides relief to small charities that offer health insurance to their employees -- a victory for nonprofit leaders who fought for such language.

By adopting the [Senate version](#) of the major health-care overhaul, the House agreed that both nonprofit groups and businesses could qualify for tax credits. The original House bill offered only income-tax credits to small employers, which would not have helped tax-exempt groups.

The final bill, set to be signed by President Obama in the next day or two, **allows nonprofit groups to apply the credit to certain payroll taxes, like the money withheld from employee checks for Medicare**. The provision applies to employers with no more than 25 full-time employees and average wages below \$50,000.

For tax years 2010 through 2013, nonprofit groups will be eligible for up to 25 percent of the costs if they pay for at least 50 percent of the premiums (businesses get 35 percent). Starting in tax year 2014, they will be eligible for up to 35 percent of such costs if they buy insurance from new exchanges, or insurance marketplaces, that states must set up for small businesses.

The legislation will affect a broad swath of the nonprofit world. In a letter to Congressional leaders in January, Independent Sector, a coalition of charities and foundations, said more than half of the country's 1.5 million nonprofit employers have fewer than 10 employees, and 65 percent have fewer than 25. "Nonprofit organizations face the same escalating health insurance costs as small for-profit businesses," it wrote.

Larger nonprofit groups will be affected by a provision that is included in a separate bill approved by the House, known as the "reconciliation bill," which includes changes that the body made to the Senate version of the legislation. That bill, which has been sent to the Senate, would stiffen the penalty for certain employers with more than 50 workers that do not offer health insurance. If at least one of a group's full-time workers must rely on subsidies to buy insurance, the employer would be fined \$2,000 for each of its full-time workers -- up from \$750 in the Senate bill.

Information about both health-care bills is available on the [Web site](#) of Rep. Nancy Pelosi, the House speaker.