

http://independentsector.org/small_employer_credit_faqs

SMALL EMPLOYER CREDIT: FAQs

Tax-exempt organizations are now eligible to claim the small-employer tax credit for providing health insurance coverage for their employees. The IRS has recently provided some [updated information and tips](#) on its website regarding the eligibility requirements and more official guidance is expected soon.

The Small Business Majority website has a tax credit calculator that will help you determine your organization's eligibility for the small employer health care tax credit. The calculator includes a function to calculate the credit based on nonprofit employer status.

[Calculate your small-employer tax credit](#)

Frequently Asked Questions

Does my organization qualify for the tax credit?

- Qualifying 501 (c) organizations must pay at least half of their employees single coverage premiums
- Qualifying organizations will have 25 or fewer full-time equivalent employees and less than \$50,000 average wages per employee per year
- Only organizations with less than 10 full-time equivalent employees with average wages less than \$25,000 are eligible for the full credit

What is the maximum credit that a qualifying organization may take immediately?

- From 2010-2013, qualifying organizations may receive a credit of up to 25% of the premiums paid.
- By 2014, qualifying organizations may receive a credit of up to 35% of premiums paid if they are purchasing an insurance plan through the exchange

How are my employees counted for eligibility requirements?

- Eligibility is determined by the number of full-time equivalent employees instead of the number of individual employees
- To determine the number of full-time equivalent employees, divide the total hours of paid work-time by your organization by 2080 (which equals 40 hours multiplied by 52 weeks)

- The hours of leased employees are included, but not seasonal workers working less than 120 hours

How are average wages determined?

- Divide the amount of total wages paid by the number of full-time equivalent employees

How do we claim the credit?

- Small employer credit may be claimed against three payroll taxes that tax-exempt organizations pay to the IRS
 - Employer share of Medicare withholding
 - Employee share of Medicare withholding
 - Federal income taxes withheld by the employer on behalf of the employee (Employees will continue to receive credit for their withheld income tax payments)

How long is my organization eligible?

- The credit of up to 25% may be taken immediately through 2013
- The credit of up to 35% may be taken for two years beginning in 2014 if insurance is purchased through the exchange