

# Luft & Company, P.C.

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## **Small Employer Health Care Tax Credit - 2010**

During March, 2010 Washington enacted two new laws collectively known as the Health Care Reform Acts. This is far reaching legislation with many aspects phasing in over a period of years. The **Health Care Tax Credit** became effective immediately and may impact the tax return of employers offering health insurance coverage for employees. To quickly understand whether this is something to consider for the tax return of your company, you need to be able to answer "yes" to each of the following issues. Note that for this entire discussion you do not include owners of more than 2% of the company, partners in the company, or any employees related to these individuals:

1. **Do you offer a Qualified Health Insurance Program to your employees that is at least partially at the expense of the company?**
  - a. This would include health, dental, vision, long-term care, Medicare supplemental coverage, and similar plans. A Qualified Plan is offered to all employees of a similar class in your company. If it is not a Qualified Plan your company will not qualify for this tax credit.
  
2. **Do you have less than twenty-five (25) full-time equivalent ("FTE") employees?**
  - a. FTE is calculated by dividing the number of hours an employee was paid for the year by 2,080, but no more than a factor of one (1) for each employee (i.e. – overtime does not count). You add up all FTE's and that number must be less than twenty-five (25).
  
3. **Are Average Annual Wages of FTE's less than \$50,000?**
  - a. After deducting wages paid to excluded individuals, divide total wages by the number of FTE's.

If you can answer "yes" to all of the above questions, it is possible your company could qualify for a **Health Care Tax Credit for 2010 which is as much as 35% of your net Health Insurance Benefit expense**. Please bring the issue to our attention and we will provide you with a worksheet that will provide the information needed to ascertain whether you will benefit from this credit. Primarily, for each employee we will need to know the hours worked during the year and the health insurance paid for each employee individually. We will need the information on our spreadsheet which will be customized for your company.

If we ascertain the Health Care Credit will not benefit you we will not charge for our work in preparing the worksheet or evaluating the results. If the credit will benefit you, we will charge a flat fee of \$300 for our work in preparing and evaluating the credit as well as the tax forms necessary to get the credit on your income tax return.