



SMALL BUSINESS TAX CREDIT FACT SHEET

Availability

The tax credit is available beginning tax year 2010 through tax year 2013. Starting January 2014, the credit is only available for two additional years, and can only be used for insurance purchased in the exchanges.

Qualifications

Employers must have 10 or less employees and pay an average annual salary to all employees of less than \$25,000 to qualify for the full credit. Reduced credits are available for employers with 25 or less employees and average annual wages of less than \$50,000.

Employers must pay at least 50% of the premium for single coverage for all employees. For example, an employer (meeting all other qualifications) who pays 50% of premiums for single coverage, but only 40% of premiums for family coverage would still qualify for the tax credit as long as the percentage paid by the employer for family coverage is more than 50% of the premium for single coverage.

Credit Amount

The credit is equal to 35% (25% for tax-exempt employers) of the premiums the employer paid for employee health care coverage (not including employee contributions) OR the average amount of premiums in the small group market for Ohio as determined by the IRS, whichever is less. The credit amount increases to 50% (35% for tax-exempt employers) after 2014.

For example, assuming a taxable employer has 9 full-time equivalent employees, average annual wages of \$23,000 and health care insurance costs of \$45,000 (assuming \$45,000 is less than the average small group premium for the area). The credit amount for this employer would be 35% of \$45,000 or \$15,750.

Using the same example as above but assuming a tax-exempt employer, the credit amount would be the lesser of 25% of \$45,000 (\$11,250) OR no more than the amount of income tax and Medicare tax withholding, plus the employer's share of the Medicare tax.

More Information

A list of FAQ's published by the IRS can be found [here](#).

The 2010 average premiums in the small group market for all states can be found [here](#).