



## What Small Businesses Need to Know - about - Health Care Reform

The provisions in the Affordable Care Act will be an improvement over the current market where small businesses have many problems obtaining affordable insurance. Small businesses pay 18 percent more in premiums than large firms for the same benefits. Premiums for a small business can rise exponentially simply because one employee gets cancer or has a serious heart attack.

### Beginning in 2014, For Businesses with Fewer than 25 Employees:

- There is no employer responsibility requirement.
- There is a sliding-scale tax credit to help you afford employee insurance coverage, if you have average annual wages of less than \$50,000. The credit is worth up to 50 percent of your premium costs.
- There is a Small Business Health Options Program (SHOP) in each state – a Health Insurance Marketplace for small businesses – to make health insurance affordable and accessible for small businesses with 50 or fewer employees.
- With the SHOPS, by being given the ability to join a large pool, you and other small businesses will now have access to the same types of quality, affordable coverage that only large firms have today.
- The SHOPS will reduce premiums for you and other small businesses through lower administrative costs, increased competition among insurers, increased transparency of costs, and better risk pooling.

### Beginning in 2014, For Businesses with 25-49 Employees:

- There is no employer responsibility requirement.
- There is a SHOP in each state – a Health Insurance Marketplace for small businesses – to make health insurance affordable and accessible for small businesses with 50 or fewer employees.
- With the SHOPS, by being given the ability to join a large pool, small businesses will have access to the same types of quality, affordable coverage that only large firms have today.
- The SHOPS will reduce premiums for small businesses through lower administrative costs, increased competition among insurers, increased transparency of costs, and better risk pooling.

**California is developing a specifically designed marketplace for small businesses with 1 to 50 eligible employees.**

- The marketplace will make it easier to compare a variety of qualified, competing health plans from private insurance companies
- Small businesses will have unprecedented access to a range of health plan choices, including group plans you might think are offered only to large companies

**Beginning in 2015, For Businesses with 50 or more Employees:**

- There is a shared responsibility requirement for businesses with 50 or more employees. Under the requirement, businesses with 50 or more employees that don't offer affordable health coverage and have at least one full-time employee receiving a premium tax credit in the new Marketplaces will have to pay a penalty.
- However, the vast majority of these businesses already voluntarily offer health coverage. Currently, 94 percent of firms with 50-199 employees already offer coverage to their employees and 98 percent of firms with 200 or more employees do so.
- Beginning in 2016, the SHOPs will be open to employers with 100 or fewer employees.

**Tax Credits for Small Business**

As a small business owner you may qualify for a tax credit to help offset your contribution to your employees' premium payment. Beginning in 2010 and lasting through tax year 2013, there is a tax credit for businesses with fewer than 25 full-time equivalent employees who are paid an average annual salary of less than \$50,000 can receive a tax credit of up to 35% of premium expenses.

Starting in 2014, the maximum tax credit increase up to 50% and is available for a total of two consecutive years. Generally, businesses with 10 or fewer full-time equivalent employees and wages averages less than \$25,000 a year will qualify for the highest credit.

\*To qualify for any tax credit, employers must pay at least 50% of employee premium costs

**Examples of small businesses receiving tax credits for health insurance**

	Beauty Shop with 10 Employees	Restaurant with 40 Part-Time Employees
Business	Main Street Hair	Downtown Café
Employees	10 full-time equivalent employees	40 half-time employees (equivalent to 20 full-time workers)
Wages	\$250,000 total, or an average of \$25,000 per employee	\$500,000 total, an average of \$25,000 per full time equivalent worker
Employee Health Insurance Cost	\$70,000	\$240,000
2013 Tax Credit	\$24,500 (35%)	\$28,000 (35%)
2014 Tax Credit	\$35,000 (50%)	\$40,000 (50%)

*Data adopted from IRS Small Business Health Care Tax Credit Scenarios [www.irs.gov/pub/irs-utl/small\\_business\\_health\\_care\\_tax\\_credit\\_scenarios.pdf](http://www.irs.gov/pub/irs-utl/small_business_health_care_tax_credit_scenarios.pdf)*