

# The Public Record

SERVING ALL OF THE DESERT CITIES AND UNINCORPORATED AREAS OF RIVERSIDE COUNTY IN THE COACHELLA VALLEY



BY BRUCE J. LEGAWIEC, CPA

## New Small Employer Health Insurance Credit for 2010

The Health Care Act of 2010 created a new income tax credit that may apply to many small businesses that pay health insurance on behalf of its employees. The credit may be as much as 35% of the health insurance premiums that are paid. To qualify for the credit 3 conditions must be met:

1. The employer must pay premiums to a health insurance plan for the benefit of its employees under *a qualifying arrangement*. A qualifying arrangement is one whereby the employer pays at least 50% of the premium cost for single coverage for each employee enrolled in health insurance coverage.
2. The employer must have fewer than 25 full-time employees (FTE's) for the year. The computation to determine number of FTE's involves determining the hours worked by all employees (excluding owners) and divide that number by 2080. Hours over 2080 for any one employee are not counted.

3. The average wage for the number of FTE's must be less than \$50,000.

The credit is reduced when FTE's exceed 10, or the average wage exceeds \$25,000. However, the credit can be used to offset Alternative Minimum Tax. The credit can also be used by tax-exempt organizations to offset payroll taxes.

The Small Employer Health Insurance Credit can be a very valuable credit to reduce 2010 income tax and should not be overlooked. To determine if you qualify for this credit, make sure to talk to your tax professional about your specific tax situation.

*Bruce Jr Legawiec is a certified public accountant with Peterson Slater & Osborne, serving the Coachella Valley for nearly 60 years. He can be reached at (760)777--9805 or [begawiec@psocpa.com](mailto:begawiec@psocpa.com). For more information, please visit [www.psocpa.com](http://www.psocpa.com).*