
New for 2010: Tax credit for small businesses

Good news for small businesses: The IRS recently released materials for those wishing to claim the small business health care tax credit for 2010. A provision of the Patient Protection and Affordable Care Act (PPACA), this tax credit is designed to encourage small businesses to offer health care coverage for the first time or enable them to maintain the coverage they already have. It will likely provide assistance to about four million small businesses.

If your business qualifies, this tax credit could be a significant benefit for your company. In 2010, the maximum credit is 35% of employer-paid premiums; for tax-exempt organizations, the maximum is 25% of employer-paid premiums. In 2014, the maximum increases to 50% of employer-paid premiums; for tax-exempt organizations, it increases to 35% of employer-paid premiums. To qualify for the credit, your company must not employ more than 25 employees and the average annual compensation of those employees cannot exceed \$50,000.

Here's a look at how a business with 10 employees could benefit:

Wages: \$250,000 total, or \$25,000 per worker

Employee health care costs: \$70,000

2010 Tax Credit: \$24,500 (35% credit)

2014 Tax Credit: \$35,000 (50% credit)

For more examples, [click here](#).

While there is no formal guidance yet, the IRS has provided educational resources for small businesses wishing to claim the credit this year. [Click here](#) to see the following information:

Eligibility rules

Amount of credit

Three simple steps to determine a small group's eligibility

More tax credit scenarios

FAQs

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