

Health Reform Update

Small Employer Tax Credit - Deadlines Approach

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As you know, the Affordable Care Act allows certain employers to be eligible for a tax credit. Specifically, the credit is geared toward employers with 25 or fewer employees with average income of \$50,000 or less. Small employers face two important deadlines in the coming weeks:

- **September 15** – Corporations that file on a calendar year basis and requested an extension to file to September 15 can calculate the small employer health care credit on Form 8941 and claim it as part of the general business credit on Form 3800, which they would include with their corporate income tax return.
- **October 17** – Sole proprietors who file Form 1040 and partners and S-corporation shareholders who report their income on Form 1040 have until October 17 to complete their returns. They would also use Form 8941 to calculate the small employer health care credit and claim it as a general business credit on Form 3800, reflected on line 53 of Form 1040.

In addition, tax-exempt organizations that file on a calendar year basis and requested an extension to file to November 15 can use Form 8941 and then claim the credit on Form 990-T, Line 44f.

The Department of Health and Human Services (HHS), along with the IRS, will be targeting small businesses and tax preparers through a new outreach campaign that includes YouTube videos, emails and tweets to remind employers about the upcoming extension deadlines and provide details on other important information about the credit including:

- **Business who have already filed can still claim the credit.**
 - o For small businesses that have already filed and later determine they are eligible for the credit, they can always file an amended 2010 tax return. Corporations use Form 1120X and individual sole proprietors use Form 1040X.
- **Businesses without tax liability this year can still benefit.**
 - o The Small Business Jobs Act of 2010 provided that for Tax Year 2010, eligible small businesses may carry back unused general business credits (including the small employer health care tax credit) five years. Previously these credits could only be carried back one year. Small businesses that did not have tax liability to offset in 2010 should still evaluate eligibility for the small business health care tax credit in light of this expanded carry back opportunity.
- **Businesses that couldn't use the credit in 2010 can claim it in future years.**
 - o Some businesses that already locked into health insurance plan structures and contributions for 2010 may not have had the opportunity to make any needed adjustments to qualify for the credit for 2010. These businesses may be eligible to claim the credit on 2011 returns or in years beyond. Small employers can claim the credit for 2010 through 2013 and for two additional years beginning in 2014.

Additional information about eligibility requirements and calculating the credit can be found on the Small Business Health Care Tax Credit for Small Employers page of IRS.gov.