



HEALTH CARE *and you*

The New Health Care Law: What It Means for Small Business Owners

If you're a small business owner and do not offer health insurance to your employees, you will have more choices under the new health care law. Some small businesses may also qualify for tax credits to offset part of the cost of insurance.

More insurance options for small businesses

Starting in 2014, businesses with up to 100 workers may be able to buy health insurance for their employees through state-based purchasing pools, called exchanges.

- The exchanges will offer a range of health plans. Plans available through the exchanges must include standard benefits including medical, mental health, prescription drug, and rehabilitation services.
- Some states will offer insurance plans tailored to meet the needs of small businesses. These exchange plans will

be called the Small Business Health Options Program (SHOP).

If you have a business with fewer than 50 employees, you will not face any penalties if you do not offer health insurance. Starting in 2014, businesses with more than 50 employees may have to pay an annual penalty if they do not offer health insurance.

Small business tax credits to help pay for health insurance

If you operate a small business, you may be able to get tax credits to offset part of the cost of offering health insurance to your employees. An estimated 2.8 to 4 million small businesses will be eligible for the credits.

To be eligible for the tax credit, your business must have 25 or fewer employees with average annual wages under \$50,000. Your business must also pay for at least 50%

of the cost of health care coverage for your employees.

The tax credits are retroactive to January 1, 2010. The amount of the tax credit depends on how many employees you have and their average wage.

- The full credit is available to businesses with 10 or fewer employees and average annual wages up to \$25,000. The full credit will help pay for 35% of your premium expenses. In 2014, the value of the credit will increase to 50% of premiums.
- Tax credits are also available to firms with 10-25 employees and average annual wages between \$25,000 and \$50,000. The amount of the credit will be based on the number of employees and their wages.
- Small nonprofit organizations are also eligible for the tax credit, but the amount of the credit is limited to 25% of health insurance premiums. The credit will increase to 35% of premiums in 2014.

To learn more about guidelines for the small business tax credit, visit www.irs.gov. You can find a Healthcare Tax Credit Calculator at www.SmallBusinessMajority.org.

Other benefits for small business

Starting in 2011, small businesses with up to 100 employees can offer “simple cafeteria” plans. These plans will allow employees to save part of their paycheck in an account that they can use to pay for medical expenses. This will save your employees money because they do not have to pay taxes on the money they contribute to this account.

The new health care law also creates grants to help small businesses provide workplace wellness programs. Starting in 2011, a total of \$200 million in grants will be available over a five-year period.

To apply for a grant, a business must have fewer than 100 employees. Only new wellness programs—those started after March 23, 2010, the date the health care law was enacted—are eligible.

The grants will be administered by the U.S. Department of Health and Human Services (HHS) and must meet HHS criteria. Under the grant guidelines, a wellness program should offer a range of activities to help employees stay healthy, such as preventive screenings, promotion of healthy lifestyles, and help in changing unhealthy behaviors.

Check www.aarp.org/getthefacts frequently for the latest information.