



## IRS Releases Form to Help Small Businesses Claim New Health Care Tax Credit

IR-2010-96 Sept. 7, 2010

WASHINGTON — The Internal Revenue Service today released a draft version of the form that small businesses and tax-exempt organizations will use to calculate the small business health care tax credit when they file income tax returns next year. The IRS also announced how eligible tax-exempt organizations — which do not generally file income tax returns — will claim the credit during the 2011 filing season.

The IRS has posted a [draft of Form 8941](#) to this website. Both small businesses and tax-exempt organizations will use the form to calculate the credit. A small business will then include the amount of the credit as part of the general business credit on its income tax return.

Tax-exempt organizations will instead claim the small business health care tax credit on a revised Form 990-T. The Form 990-T is currently used by tax-exempt organizations to report and pay the tax on unrelated business income. Form 990-T will be revised for the 2011 filing season to enable eligible tax-exempt organizations — even those that owe no tax on unrelated business income — also to claim the small business health care tax credit.

The final version of Form 8941 and its instructions will be available later this year.

The small business health care tax credit was included in the Affordable Care Act signed by the President in March and is effective this year. The credit is designed to encourage small employers to offer health insurance coverage for the first time or maintain coverage they already have.

In 2010, the credit is generally available to small employers that contribute an amount equivalent to at least half the cost of single coverage towards buying health insurance for their employees. The credit is specifically targeted to help small businesses and tax-exempt organizations that primarily employ moderate- and lower-income workers.

For tax years 2010 to 2013, the maximum credit is 35 percent of premiums paid by eligible small business employers and 25 percent of premiums paid by eligible employers that are tax-exempt organizations. Beginning in 2014, the maximum tax credit will go up to 50 percent of premiums paid by eligible small business employers and 35 percent of premiums paid by eligible, tax-exempt organizations for two years.

The maximum credit goes to smaller employers — those with 10 or fewer full-time equivalent (FTE) employees — paying annual average wages of \$25,000 or less.

The credit is completely phased out for employers that have 25 FTEs or more or that pay average wages of \$50,000 per year or more. Because the eligibility rules are based in part on the number of FTEs, and not simply the number of employees, businesses that use part-time help may qualify even if they employ more than 25 individuals.

More information about the credit, including a [step-by-step guide](#) and [answers to frequently asked questions](#), is available on the [Affordable Care Act page](#).

[Subscribe to IRS Newswire](#)

*Page Last Reviewed or Updated: September 07, 2010*