

Does the federal health care legislation provide tax credits for small businesses?

Dr. Mark T. Lutschaunig,
director of the AVMA
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Division, responds:

The legislation provides for up to six years of tax credits to help offset the cost of offering health insurance at small businesses. Tax credits are available for businesses employing fewer than 25 full-time equivalents with average annual wages of less than \$50,000. For part-time employees, employers can calculate FTEs by dividing the total hours of part-time employees for the month by 120.

From 2010 to 2013, the federal government will provide qualifying small businesses with tax credits of up to 35 percent of the employer's contribution to employees' health insurance premiums, if the employer pays at least half the total premium cost or a benchmark premium cost. The full tax credit goes to businesses with no more than 10 FTEs and average wages of no more than \$25,000.

The legislation calls for states to create health insurance exchanges by 2014 for individuals and small businesses with up to 100 employees. Before 2016, states may limit participation to businesses with no more than 50 employees. Businesses with under 25 FTEs and average wages under \$50,000 that purchase insurance through a state exchange will be eligible for federal tax credits, for two years, of up to half the employer's contribution to premiums, if the employer pays at least half the total premium cost.