

SMALL BUSINESSES AND THE AFFORDABLE CARE ACT



TAX CREDITS AND SMALL BUSINESS HEALTH OPTIONS PROGRAMS

 DELTA DENTAL®

Northeast Delta Dental

HOW THE AFFORDABLE CARE ACT (ACA) AFFECTS SMALL BUSINESSES



“VIRTUALLY ALL DENTAL PRACTICES THAT ARE PART OF NORTHEAST DELTA DENTAL’S PARTICIPATING NETWORKS AND ALL COMPANIES WITH 100 EMPLOYEES OR FEWER THAT HAVE GROUP DENTAL BENEFITS CONTRACTS WITH NORTHEAST DELTA DENTAL ARE OR WILL BE IN THE NEAR FUTURE CONSIDERED SMALL BUSINESSES ACCORDING TO THE ACA.”

TOM RAFFIO, PRESIDENT AND CEO
NORTHEAST DELTA DENTAL

Small businesses face a burden due to a health care insurance system that works better for large companies. Large companies can negotiate more advantageous rates because of their larger risk pool of employees. Small businesses pay 18% higher insurance premiums on average than large companies. From 1999-2009, health insurance premiums have increased at a faster pace than wages.

The Affordable Care Act addresses the inequity by building on current private employer-based systems of health insurance coverage in the following areas:

- Qualifying businesses with fewer than 25 full-time employees and average annual income, excluding owners, that is lower than designated levels, are eligible for Small Business Tax Credits of up to 35% of employer health care costs through 2013, and 50% for 2014-2015.
- Companies with a maximum of 50 or 100 employees, based on how the Exchange is defined by state, will gain the access to Small Business Health Options Programs (SHOPs) beginning in 2014. In 2016 the maximum will be 100 employees and beginning in 2017 states can increase numbers to allow companies with more than 100 employees.
- Beginning in 2014, companies with fewer than 50 employees are not required to purchase insurance coverage on behalf of employees, and are not subject to a tax penalty for failure to purchase coverage.

What Small Businesses should know about the ACA



Small Business Health Options Programs (SHOPs)

Beginning in 2014, small businesses can offer employees a variety of Qualified Health Plans (QHPs) within their state Exchange. For states that have not yet established an Exchange, the Health and Human Services Department and the state will work together to organize an Exchange.

In 2014, a state may choose to define a small business as a company with a maximum of 50 or 100 employees. In 2016, all state Exchanges will accept companies with 100 or fewer employees. In 2017, states may choose to allow companies with more than 100 employees to participate in the Exchange.

Benefits of the Exchange

- **Simplify Choices**
Benefits, premiums and the quality of QHPs can be viewed in a side-by-side comparison chart.
- **Expand Employee Options**
Employers have two options in selecting plans. An employer may select a single plan for all employees. Alternatively, an employer may provide each employee with a defined contribution, and the employee can select any QHP (all 4 “Metal plan” levels) offered on the SHOP Exchange, with the employee paying the premium amount in excess of the employer’s defined contribution. This allows the employee to select the plan design that best meets individual needs.
- **Preserve Employer Control**
Employers will be able to make a single, monthly payment to SHOP, rather than individual payments to multiple plans. Employers will be able to choose their company’s level of employee defined contribution to a QHP.
- **Lower Costs**
By sharing the administrative costs for a QHP with many other small businesses, employers will realize an overall cost savings. Beginning in 2014, employers will be eligible for Small Business Tax Credits only if they purchase a QHP through a SHOP Exchange.

Individual Mandate

Does the law mandate that I provide insurance to my employees?

No. The ACA does not require small businesses (fewer than 50 employees) to provide health insurance coverage. In addition, small businesses are not liable for any tax penalties for failure to provide health insurance coverage or discontinuing coverage after 2014.

Small Business Tax Credits

Until 2013, a qualifying small business may take a tax credit of up to 35% of the employer’s share of health insurance costs. For 2014-2015, the amount of the credit will increase to 50%. You can view IRS rules at the IRS.gov website.

3 SIMPLE STEPS

If you are a small employer (business or tax-exempt) that provides health insurance coverage to your employees, determine if you may qualify for the **Small Business Health Care Tax Credit** by following these three simple steps:

1 **Determine the total number of your employees (not counting owners or family members):**

Full-time employees: _____
(enter the number of employees who work at least 40 hours per week)

+

Full-time equivalent of part-time employees: _____
(Calculate the number of full-time equivalents by dividing the total annual hours of part-time employees by 2080.)

= _____ total employees

If the total number of employees is fewer than 25 **GO TO STEP 2**

2 **Calculate the average annual wages of employees (not counting owners or family members):**

Take the total annual wages paid to employees: _____

+

Divide it by the number of employees from STEP 1: _____
(total wages ÷ number of employees)

= _____ average wages

If the result is less than \$50,000, **AND**

3 You pay at least half of the insurance premiums for your employees at the single (employee-only) coverage rate, then

» you may be able to claim the **Small Business Health Care Tax Credit**. Find out more information at IRS.gov

Does my small business qualify?

If an employer:

- has fewer than 25 full-time equivalent employees;
- has average annual wages, excluding owners, of less than \$50,000; and
- pays at least 50% of the health care insurance premiums for each employee;

the employer may qualify for the Small Business Health Care Tax Credit.

See the above chart to calculate number of FTEs. Part-time employees are considered a fraction of a FTE.

Be sure to consult with your tax professional to find out if your business qualifies for a tax credit. If your business does not owe taxes then you may bring the tax credit forward or backwards. If you have not taken advantage of the credit for tax years 2010 and 2011 you can file an amended return claiming the credit.

Important Resources for Small Businesses

ACA Information Site

<http://www.healthcare.gov/>

The Facts on the New Health Care Law

[http://www.healthcare.gov/news/brochures/
info-for-small-businesses.pdf](http://www.healthcare.gov/news/brochures/info-for-small-businesses.pdf)

Fact Sheet for Small Businesses

[http://www.healthcare.gov/news/factsheets/2011/08/
small-business.html](http://www.healthcare.gov/news/factsheets/2011/08/small-business.html)

Health Care Options for Small Businesses

[http://www.healthcare.gov/using-insurance/employers/
small-business/index.html](http://www.healthcare.gov/using-insurance/employers/small-business/index.html)

Tax Credit Information

<http://www.irs.gov/newsroom/article/0,,id=223666,00.html>

Full Time Employee and Tax Credit Eligibility Calculator

http://www.irs.gov/pub/irs-utl/3_simple_steps.pdf

Credit for Small Employer Health Insurance Premiums (IRS Form 8941)

<http://www.irs.gov/pub/irs-pdf/f8941.pdf>



Northeast Delta Dental
One Delta Drive
PO Box 2002 • Concord • NH • 03302-2002
www.nedelta.com



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