


[homepage.](#)
[Photo Galleries](#) › [Video](#) › [Live Streams](#) › [Podcasts](#)
[Your Weekly Address](#) › [Speeches & Remarks](#) › [Press Briefings](#)
**BLOG****PHOTOS & VIDEO****BRIEFING ROOM****ISSUES**the **ADMINISTRATION** › **STATEMENTS & RELEASES** › **THE WHITE HOUSE** › **ACTION PLAN** › **GOVERNMENT**
[Nominations & Appointments](#) › [Disclosures](#)
[Civil Rights](#) › [Defense](#) › [Disabilities](#) › [Economy](#) › [Education](#) › [Energy & Environment](#) › [Ethics](#) › [Family](#) › [Fiscal Responsibility](#)
[Foreign Policy](#) › [Health Care](#) › [Homeland Security](#) › [Immigration](#) › [Poverty](#) › [Rural](#) › [Seniors & Social Security](#) › [Service](#) › [Taxes](#) › [Technology](#)
[Urban Policy](#) › [Veterans](#) › [Women](#) › [Additional Issues](#)
[President Barack Obama](#) › [Vice President Joe Biden](#) › [First Lady Michelle Obama](#)
[Dr. Jill Biden](#) › [The Cabinet](#) › [White House Staff](#) › [Executive Office of the President](#)
[Other Advisory Boards](#)
[History](#) › [Presidents](#) › [First Ladies](#) › [The Oval Office](#) › [The Vice President's Residence & Office](#) › [Eisenhower Executive Office Building](#)
[Camp David](#) › [Air Force One](#) › [White House Fellows](#) › [White House Internships](#) › [White House 101](#) › [Tours & Events](#)
[The Executive Branch](#) › [The Legislative Branch](#) › [The Judicial Branch](#) › [The Constitution](#) › [Federal Agencies & Commissions](#) › [Elections & Voting](#)
[State & Local Government](#) › [Resources](#)
[Home](#) › [Briefing Room](#) › [Statements & Releases](#)

## The White House

Office of the Press Secretary

---

 For Immediate  
Release

 April 01,  
2010

### Fact Sheet: Small Business Health Care Tax Credit

Health reform legislation signed by President Obama includes a Small Business Health Care Tax Credit to help small businesses afford the cost of covering their workers.

#### Key Facts about the Small Business Health Care Tax Credit

- The tax credit, which is effective immediately, can cover up to 35 percent of the premiums a small business pays to cover its workers. In 2014, the rate will increase to 50 percent.
- The Congressional Budget Office estimates that the tax credit will save small businesses \$40 billion by 2019.
- Both small for-profit businesses and small not-for-profit organizations are eligible.

#### Key Elements

- **Available Immediately.** The credit is effective January 1, 2010. As a result, small businesses that provide health care for their workers will receive immediate help with their premium costs, and additional firms that initiate coverage this year will get a tax cut as well.
- **Broad Eligibility.** The Council of Economic Advisors estimates that 4 million small businesses are eligible for the credit if they provide health care to their workers. Qualifying firms must have less than the equivalent of 25 full-time workers (e.g., a firm with fewer than 50 half-time workers would be eligible), pay average annual wages below \$50,000, and cover at least 50 percent of the cost of health care coverage for their workers.
- **Substantial Benefit.** The credit is worth up to 35 percent of a small business's premium costs in 2010. On January 1, 2014, this rate increases to 50 percent.
- **Firms Can Claim Credit for Up to 6 Years.** Firms can claim the credit for 2010 through 2013 and for any two years after that.
- **Non-Profits Eligible.** Tax-exempt organizations are eligible for a 25 percent tax credit in 2010. In 2014, this rate increases to 35 percent.<sup>[1]</sup>
- **Gradual Phase-Outs.** The credit phases out gradually for firms with average wages between \$25,000 and \$50,000 and for

## HEALTH CARE REFORM

[More Information](#)

#### Blog posts on this issue

April 09, 2010 1:00 PM EDT

#### ONAP Releases Report of Community Recommendations for the National HIV/AIDS Strategy

ONAP releases a report summarizing recommendations from the public for the National HIV/AIDS Strategy.

April 09, 2010 11:19 AM EDT

#### World Health Day: Healthy Cities, Healthy People

World Health Day 2010 highlights the link between the built environment and health and wellness. The Sustainable Communities Partnership and the First Lady's Let's Move! Initiative are just a few examples of this Administration's efforts to promote a healthy

firms with the equivalent of between 10 and 25 full-time workers.

- **Premium Cost Eligibility.** To avoid an incentive to choose a high-cost plan, an employer's eligible contribution is limited to the average cost of health insurance in that state.

#### Getting the Word Out to Small Businesses

To ensure that small businesses know about the credit and how to claim it, the Administration is initiating a nationwide educational campaign for small businesses and tax preparers.

- **WhiteHouse.gov Web Feature.** *Starting today, WhiteHouse.Gov will feature a special section on the Small Business Health Care Tax Credit.*
- **Millions of Postcards to Small Businesses:** *In the coming weeks, IRS will send out postcards to millions of small businesses who may be eligible for the credit, urging them to look at the criteria and take advantage if they qualify.*
- **Over 1,000 Tax Workshops and Small Business Forums.** *Every year, tens of thousands of small businesses and tax professionals around the country attend Small Business Forums and Tax Workshops where they can hear from IRS representatives about new developments in tax law. This year, IRS outreach will have a special focus on the small business credit to get the word and answer questions about how the credit works and how to claim it.*
- **Email Blast to 175,000 Tax Professionals.** *IRS will use its IRS e-News for Tax Professionals mailing list to notify over 175,000 tax professionals.*
- **Special Section on IRS.gov.** *The IRS is featuring a new section on the front page of IRS.gov on new tax tips, detailed frequently asked questions and a worksheet to help small business owners determine if they qualify.*

#### Benefit from Small Business Health Care Tax Credit: Four Cases

##### Example 1: Auto Repair Shop with 10 Employees Gets \$24,500 Credit for 2010

###### Main Street Mechanic:

- **Employees:** 10
- **Wages:** \$250,000 total, or \$25,000 per worker
- **Employer Health Care Costs:** \$70,000

**2010 Tax Credit:** \$24,500 (35% credit)

**2014 Tax Credit:** \$35,000 (50% credit)

##### Example 2: Restaurant with 40 Part-Time Employees Gets \$28,000 Credit for 2010

###### Downtown Diner:

- **Employees:** 40 half-time employees (the equivalent of 20 full-time workers)
- **Wages:** \$500,000 total, or \$25,000 per full-time equivalent worker
- **Employer Health Care Costs:** \$240,000

**2010 Tax Credit:** \$28,000 (35% credit with phase-out)

**2014 Tax Credit:** \$40,000 (50% credit with phase-out)

##### Example 3: Foster Care Non-Profit with 9 Employees Gets \$18,000 Credit for 2010

###### First Street Family Services.org:

- **Employees:** 9
- **Wages:** \$198,000 total, or \$22,000 per worker
- **Employer Health Care Costs:** \$72,000

**2010 Tax Credit:** \$18,000 (25% credit)

**2014 Tax Credit:** \$25,200 (35% credit)

##### Example 4: Manufacturing Company with 12 Employees Gets \$14,700 Credit for 2010

###### Acme Air Conditioning, LLC:

- **Employees:** 12
- **Wages:** \$420,000 total, or \$35,000 per worker
- **Employer Health Care Costs:** \$90,000

lifestyle.

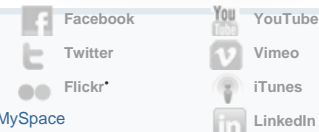
April 07, 2010 2:48 PM EDT

#### Health Reform and You: Reinsurance Program for Early Retirees

HHS Secretary Kathleen Sebelius lays out the facts on early retirees and health reform and announces a webchat to take your questions.

- [view all related blog posts](#)

#### Stay Connected



**2010 Tax Credit:** \$14,700 (35% credit with phase-out)**2014 Tax Credit:** \$21,000 (50% credit with phase-out)

**Five Additional Ways Health Reform will Help Small Businesses.** Small businesses want to provide health coverage for their workers, but they face extraordinary challenges in doing so, including premiums that are 18 percent higher on average than large businesses pay for the same coverage. Health reform legislation signed by the Presidents includes a number of important benefits to help make coverage more affordable:

### 1. Creates Health Insurance Exchanges to Increase Bargaining Power and Reduce Administrative Costs.

- **Status Quo: Small Businesses Have Little Bargaining Power, Face High Administrative Costs.** Currently, small businesses face not only premiums that are 18 percent higher than large businesses pay, but also face higher administrative costs to set up and maintain a health plan. The premiums they pay have 3 to 4 times as much administrative cost built into them as plans in the large group market. They are also at a disadvantage in negotiating with insurance companies because they lack bargaining power.
- **Solution: Health Insurance Exchanges will Provide More Choice, Lower Prices, and Greater Bargaining Power for Firms with up to 100 Employees:** Health reform will change this dynamic. Starting by 2014, firms with 100 or fewer workers will be able pool their buying power and reduce administrative costs by purchasing insurance through an exchange. According to CBO, coverage that small businesses purchased through an exchange “would have lower administrative costs, on average, than the policies those firms would buy under current law, particularly for very small firms.”

### 2. Ends Price Discrimination against Small Businesses with Sick Workers.

- **Status Quo: Small Businesses with Sick Worker Face Higher Prices, Sudden Price Increases.** Currently, small businesses with just one sick worker can face significantly higher premiums, and having a worker fall ill can lead to a precipitous price increase – raising premiums just when insurance is needed most.
- **Solution: Ending Price Discrimination Based on Illness:** Health reform will end this price discrimination. Starting in 2014, “community rating” rules will prohibit insurers from charging more to cover small businesses with sicker workers or raising rates when someone gets sick.

### 3. Increases Health Care Security to Unlock Entrepreneurship.

- **Status Quo: Health Insurance Insecurity Creates “Job Lock,” which Inhibits Entrepreneurship.** Our current health care system inhibits entrepreneurship and small business formation by locking workers — especially those with families or with any sort of health problem — into jobs at large firms that offer family coverage and have a big enough risk pool to absorb the cost of covering pre-existing conditions. This “job lock” causes many workers to stay at large firms even if they would be more productive working at a small business or becoming an entrepreneur.
- **Solution: Health Security Empowers Entrepreneurship:** By providing health security for every American and eliminating exclusions for pre-existing conditions and price discrimination against those who are sick, health reform will make it easier for small businesses to attract the best workers and easier for entrepreneurs to strike out on their own.

### 4. Reduces the Hidden Tax on Small Business Employees with Health Insurance.

- **Status Quo: Hidden Tax Adds \$1,000 to Every Premium:** Currently, the cost of treating the uninsured adds a “hidden tax” of over \$1,000 to every health care premium.
- **Solution: Reduce Hidden Tax by Dramatically Expanding Coverage:** Health reform will significantly reduce this tax by covering an additional 32 million additional Americans by 2019.

### 5. Reduces Premiums in the Small Group Market.

- **Status Quo: Higher Premiums Mean Coverage Is Unaffordable for Small Businesses.** In a recent national survey, nearly three-quarters of small businesses that did not offer benefits cited high premiums as the reason.
- **Health Reform Will Lower Costs, Making Coverage More Affordable:** Taken together, the measures described above will significantly reduce premiums for small businesses. According to CBO, health reform will reduce the cost of a given plan in the small group market by 1-4 percent by 2016.

The credit rates are lower for non-profits to ensure that the value of the credit is approximately equal to that provided to for-profit firms that cannot claim a tax deduction for the amount of the credit claimed.



Home	Briefing Room	Issues	The Administration	About the White House	Our Government
<a href="#">The White House Blog</a>	<ul style="list-style-type: none"> <li>• <a href="#">Your Weekly Address</a></li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Civil Rights</a></li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">President Barack Obama</a></li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">History</a></li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">The Executive Branch</a></li> </ul>
<a href="#">Photos &amp; Videos</a>	<ul style="list-style-type: none"> <li>• <a href="#">Speeches &amp; Remarks</a></li> <li>• <a href="#">Press Briefings</a></li> <li>• <a href="#">Statements &amp; Releases</a></li> <li>• <a href="#">Presidential Actions</a></li> <li>• <a href="#">Featured Legislation</a></li> <li>• <a href="#">Nominations &amp; Appointments</a></li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Defense</a></li> <li>• <a href="#">Disabilities</a></li> <li>• <a href="#">Economy</a></li> <li>• <a href="#">Education</a></li> <li>• <a href="#">Energy &amp; Environment</a></li> <li>• <a href="#">Ethics</a></li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Vice President Joe Biden</a></li> <li>• <a href="#">First Lady Michelle Obama</a></li> <li>• <a href="#">Dr. Jill Biden</a></li> <li>• <a href="#">The Cabinet</a></li> <li>• <a href="#">White House Staff</a></li> <li>• <a href="#">Executive Office of the</a></li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Presidents</a></li> <li>• <a href="#">First Ladies</a></li> <li>• <a href="#">The Oval Office</a></li> <li>• <a href="#">The Vice President's Residence &amp; Office</a></li> <li>• <a href="#">Eisenhower Executive Office</a></li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">The Legislative Branch</a></li> <li>• <a href="#">The Judicial Branch</a></li> <li>• <a href="#">The Constitution</a></li> <li>• <a href="#">Federal Agencies &amp; Commissions</a></li> <li>• <a href="#">Elections &amp; Voting</a></li> </ul>
<ul style="list-style-type: none"> <li>• <a href="#">Photo Galleries</a></li> <li>• <a href="#">Video</a></li> <li>• <a href="#">Live Streams</a></li> <li>• <a href="#">Podcasts</a></li> </ul>					

WWW.WHITEHOUSE.GOV