298. What credit is available for small employers for employee health insurance expenses?

A credit is available for the employee health insurance expenses of an eligible small employer for taxable years beginning after December 31, 2009, provided the employer offers health insurance to its employees.IRC Sec. 45R, as added by PPACA 2010. Beginning in 2014, the credit is available to eligible small employers for two consecutive years. For tax years 2010, 2011, 2012 and 2013, an eligible small employer was an employer that had no more than twenty-five full time employees, the average annual wages of whom did not exceed $50,000; the qualifying amount is indexed for years after 2013. IRC Secs. 45R(d), as added by PPACA 2010; IRC Sec 45R(d)(3)(B), as amended by Section 10105(e)(1) of PPACA 2010. The inflation adjusted amount for 2014 is $50,800. Rev. Rul. 2013-35, 2013-47 IRB 537. An employer must have a contribution arrangement for each employee who enrolls in the health plan offered by the employer, through an exchange that requires that the employer make a non-elective contribution in an amount equal to a uniform percentage, not less than 50 percent, of the premium cost.IRC Sec. 45R(d)(4), as added by PPACA 2010.Subject to phase-outIRC Sec. 45R(c), as added by PPACA 2010. Based on the number of employees and their average wages, the amount of the credit is equal to 50 percent (35 percent in the case of tax exempts) of the lesser of: (1) the aggregate amount of non-elective contributions made by the employer on behalf of its employees for health insurance premiums for health plans offered by the employer to employees through an exchange; or (2) the aggregate amount of non-elective contributions the employer would have made if each employee had been enrolled in a health plan that had a premium equal to the average premium for the small group market in the ratings area.IRC Sec. 45(b), as added by PPACA 2010.For years 2010, 2011, 2012, and 2013, the following modifications applied in determining the amount of the credit: (1)the credit percentage was reduced to 35 percent (25 percent in the case of tax exempts);IRC Sec. 45R(g)(2)(A), as added by PPACA 2010.(2)the amount under (1) was determined by reference to non-elective contributions for premiums paid for health insurance, and there were no exchange requirement;IRC Secs. 45R(g)(2)(B), 45R(g)(3), as added by PPACA 2010. and (3)the amount under (2) was determined by the average premium for the state small group market.IRC Sec. 45R(g)(2)(C), as added by PPACA 2010. The credit also was allowed against the alternative minimum tax.IRC Sec. 38(c)(4)(B), as amended by PPACA 2010. The IRS has issued guidance; see IRS Notice 2010-44, 2010-22 I.R.B. 717; IRS Notice 2010-82, 2010-51 I.R.B. 1. For 2014 ,small employers have exclusive access to an expanded Small Business Healthcare Tax Credit under the Affordable Care Act. This tax credit covers as much as 50% of the employer contribution toward premium costs for eligible employers who have low- to moderate-wage workers.