

## Does Your Nonprofit Qualify for the Small Business Health Insurance Tax Credit?

Even if your tax-exempt organization does not owe any income taxes, it may benefit from the small business health insurance tax credit included in the new health care law. When your nonprofit files its tax return in 2011, it may be eligible for a refundable credit against payroll taxes or income taxes withheld between January 1 and December 31, 2010.

To find out whether your organization qualifies, start here:

<p><b>Does your organization have fewer than 25 full-time employees?</b></p> <p><i>If you have part-time employees, calculate the number of full-time equivalents by dividing the total annual hours of part-time employees by 2080.</i></p>	<p><b>If YES:</b></p>
<p><b>Does your organization pay average annual wages of less than \$50,000 to its employees?</b></p>	<p><b>If YES:</b></p>
<p><b>Does your organization pay at least half the cost of health insurance for its employees?</b></p>	<p><b>If YES:</b></p>

### THEN—

If you answered YES to all three questions, your organization may be eligible for the small business health care tax credit. For tax year 2010, a qualified nonprofit can claim a refundable credit against the employer and employee shares of Medicare taxes, as well as federal income taxes withheld by the employer on behalf of the employee. The credit can equal up to 25% of the employer contribution towards its employees' health insurance.

Organizations with 10 or fewer employees and an average annual wage of \$25,000 or less may qualify for the maximum credit; the credit gradually phases out for organizations with between 10 and 25 full-time employees and average wages between \$25,000 and \$50,000.

To calculate and claim the credit, complete the new **Form 8941** and file it with **Form 990-T**. (Form 990-T is currently used to report and pay taxes on unrelated business income, but it will be revised to enable eligible tax-exempt organizations – even those that owe no tax on unrelated business income – to claim the credit. The updated instructions have yet to be released by the IRS.)

For more information about the small business health insurance tax credit- including **detailed guidance** regarding employer contribution requirements, **instructions** for Form 8941, and answers to **frequently asked questions**- visit the IRS website at [www.irs.gov](http://www.irs.gov).

For more information on the Affordable Care Act, please visit [www.nwlc.org](http://www.nwlc.org).