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10 Questions Every Small Business Owner Should Ask about Health Care Reform

Small businesses (companies with less than 50 employees) are largely unaffected by the recently passed health care reform legislation.

Today, we will answer the 10 most frequently asked questions from small businesses regarding health care reform.

- 1. What is the small business tax credit and how do I know if I am eligible?** Effective January 1, 2010 tax credits are available to qualifying small businesses that contribute to their employees' health insurance costs. To be eligible for the tax credit, your company must have less than 25 employees and average salaries less than \$50,000. "
- 2. How do I calculate how many FTE employees I Have?** To calculate the number of FTE employees you have, add the number of full-time employees (i.e. those working 40 or more hours per week) with the full-time equivalent part-time employees. The number of full-time equivalent part-time employees is determined by totaling the hours worked by part-time employees and dividing it by 2,080.
- 3. Am I required to offer health insurance?** No. Small businesses with less than 50 employees are not required to offer health insurance under the new legislation.
- 4. Will I be penalized for not offering insurance to my employees?** No. There are no tax penalties for companies with less than 50 employees that do not offer insurance.
- 5. If I do not offer health insurance, will my employees be required to buy it and will there be any government help?** Yes. Beginning January 1, 2014, all individuals must purchase "qualified" health insurance. If they do not, they may be subject to tax penalties of up to \$695 per year. Government subsidies will be available to individuals with incomes up to 400% of the poverty line (\$88,200 for a family of four) to help pay for individual health insurance.
- 6. What is the insurance exchange and how will I be able to use it?** By 2014, each state must create an American Health Benefits Exchange and a Small Business Health Options Program Exchange. These exchanges will provide a place where individuals and small businesses can purchase coverage that meets the federal requirements. Small business owners are not required to purchase coverage through the exchanges.
- 7. How will health care reform affect my health insurance if I am self employed?** Beginning in 2014, self-employed individuals will have access to the small group market and guaranteed-issue individual health insurance policies. Self-employed individuals will still be able to take tax deductions for premiums on their individual 1040.
- 8. What if my business grows to more than 50 full-time equivalent employees?** Small business owners with more than 50 employees that do not provide qualified health insurance are required to pay a tax penalty for employees that buy individual insurance and receive a government subsidy.
- 9. Will I be required to change my health plan in 2014?** No. The new health care reform bill specifically allows a small business owner to keep their company's current health insurance as a "grandfathered" plan. "Grandfathered" plans will not be subject to new health insurance mandates until the plan is altered.
- 10. Are there new reporting requirements for health benefits for my business?** Yes. Beginning in the 2011 tax year, you will be required to report the "aggregate cost" of your employer-sponsored coverage on an employee's W-2. These reported amounts will not be taxed