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Just the Facts: Small Business Healthcare Tax Credit *Credit Will Not Make Healthcare More Affordable*

WASHINGTON, D.C., July 20, 2010 — *Bill Rys, tax counsel at the NFIB, issued the following statement:*

“Will a temporary credit help *some* of the smallest, lowest wage businesses? Sure. Is it the ‘saving grace’ it’s being made out to be? Probably not. The minimal benefits of this tax credit are easily outweighed by the new and expensive burdens of this law.

“Supporters claim 4 million small businesses are eligible for the credit, but the fact is less than 2 million small businesses will receive it. And those that do receive a credit aren’t guaranteed a large check. Words and data are funny things – the use of ‘eligible’ versus ‘would receive’ certainly changes the meaning. And if you only look at part of the equation you miss some important numbers.

“For example, the latest research shows how many small businesses will be eligible, but it doesn’t take into account whether the firms even offer health insurance. Of the four required criteria to receive a credit – they only looked at two pieces (firm size, average wage). They leave out whether the business offers insurance and pays for half (both are required to receive a credit). The truth is about one-third of firms under 25 employees offer insurance. And, the lower the average wage of a firm, the less likely they are to offer insurance.

“So here are some facts: At most, the credit offsets 35 percent of the insurance costs of a small business. However, this percentage phases out as the number of employees rises above 10 or the average wage (not including the owner’s income) rises above \$25,000. Importantly, both of these phase-outs operate simultaneously. (See chart).

“Take for example a firm with 17 employees and an average wage of \$38,000, unfortunately they will get NO credit. Plus, if you are one of the 23-24 million self-employed (who have no employees), you also don’t qualify.

“We must look at the full picture, with all the numbers and rules to receive this credit, and that just isn’t possible right now. All we can do is manage expectations and provide straightforward information. NFIB created a [tax credit calculator](#) tool and encourages small business owners to work with it, inputting their business’ numbers. We also encourage them to talk with their accountant. We’ll let the tax rules speak for themselves.

“The fact is neither this law, nor this credit, will make healthcare more affordable for small businesses long-term.”

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Maximum percentage of employer contribution covered by small business tax credit

		Number of Employees															
		1 - 10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
Average wage (not including owner)	\$0 - \$25,000	35%	33%	30%	28%	26%	23%	21%	19%	16%	14%	12%	9%	7%	5%	2%	
	\$ 26,000	34%	31%	29%	27%	24%	22%	20%	17%	15%	13%	10%	8%	6%	3%	1%	
	\$ 27,000	32%	30%	28%	25%	23%	21%	18%	16%	14%	11%	9%	7%	4%	2%		
	\$ 28,000	31%	28%	26%	24%	21%	19%	17%	14%	12%	10%	7%	5%	3%			
	\$ 29,000	29%	27%	25%	22%	20%	18%	15%	13%	11%	8%	6%	4%	1%			
	\$ 30,000	28%	26%	23%	21%	19%	16%	14%	12%	9%	7%	5%	2%				
	\$ 31,000	27%	24%	22%	20%	17%	15%	13%	10%	8%	6%	3%	1%				
	\$ 32,000	25%	23%	21%	18%	16%	14%	11%	9%	7%	4%	2%					
	\$ 33,000	24%	21%	19%	17%	14%	12%	10%	7%	5%	3%						
	\$ 34,000	22%	20%	18%	15%	13%	11%	8%	6%	4%	1%						
	\$ 35,000	21%	19%	16%	14%	12%	9%	7%	5%	2%							
	\$ 36,000	20%	17%	15%	13%	10%	8%	6%	3%	1%							
	\$ 37,000	18%	16%	14%	11%	9%	7%	4%	2%								
	\$ 38,000	17%	14%	12%	10%	7%	5%	3%									
	\$ 39,000	15%	13%	11%	8%	6%	4%	1%									
	\$ 40,000	14%	12%	9%	7%	5%	2%										
	\$ 41,000	13%	10%	8%	6%	3%	1%										
	\$ 42,000	11%	9%	7%	4%	2%											
	\$ 43,000	10%	7%	5%	3%												
	\$ 44,000	8%	6%	4%	1%												
\$ 45,000	7%	5%	2%														
\$ 46,000	6%	3%	1%														
\$ 47,000	4%	2%															
\$ 48,000	3%																
\$ 49,000	1%																
\$ 50,000																	

0%



More About the Online Calculator

To use the tool, entrepreneurs need to know four things:

1. How many full-time employees in the firm,
2. How many employees participate in the company's health insurance plan,
3. How much the business contributes toward each employee's insurance premium, and
4. The average wage per employee.

The tool is not intended as tax advice and small business owners should contact their accounting professional for specific guidance related to their businesses, employees and particular business situation.

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NFIB is the nation's leading [small business association](#), with offices in Washington, D.C. and all 50 states. Founded in 1943 as a nonprofit, nonpartisan organization, NFIB gives small and independent business owners a voice in shaping the public policy issues that affect their business. NFIB's powerful network of grassroots activists sends their views directly to state and federal lawmakers through our unique member-only ballot, thus playing a critical role in supporting America's free enterprise system. NFIB's mission is to promote and protect the right of our members to own, operate and grow their businesses. More information about NFIB is available online at www.NFIB.com/newsroom.