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June 18, 2010

Dear client,

I wanted to let you know about the recently passed health care and employee hiring legislation. Highlighted below is a summary of the major components of the acts that affect businesses.

- **Small Employer Health Insurance Credit** – For 2010 through 2013, small employers can claim a tax credit up to 35% of their contributions for the payment of the health insurance premiums for their employees. The entire 35% credit is available for employers with 10 or less full-time employees and average annual compensation of $25,000 or less per employee. The credit phases out for employers exceeding those limits, and if an employer has 25 or more full-time employees or pays $50,000 or more in average annual wages, the business does not qualify for the credit. Part-time and seasonal employees who work more than 120 days will be allocated fractional equivalents of a full-time employee. The employer must pay at least 50% of the employee health insurance cost to qualify. Premiums paid for self-employed and corporation owners generally are not eligible for the credit, but they are also not counted in the above limits. **The credit is a non-refundable general business credit, so the taxpayer must have federal income tax to benefit from the credit. If the business reports a loss or it cannot fully utilize the credit, then the credit may be carried back one year or carried forward up to 20 years.** In 2014 & 2015 the credit increases from 35% to 50% but only if the business offers the health plan through an American Health Benefit Exchange. **Tax-exempt (non-profit) employers can claim a smaller credit of 25%, limited to the amount of their Medicare payroll taxes paid (the 1.45% employer portion plus the 1.45% employee portion).**

- **Hiring and Retention Incentives** – Employers may be eligible for two different tax credits for new employees hired after February 3, 2010 and before January 1, 2011. The new employee cannot be hired to replace another employee unless the previous employee voluntarily quit or was fired with cause. Also, the new employee cannot be a relative or dependent of the employer. And the new employee must sign an affidavit that the employee was not employed more than 40 hours during the 60-day period ending on the start date with the new employer (Form W-11). The two credits are explained below:

1. **Payroll Tax Holiday**
   Employers can claim a credit for its share of the social security tax (6.2%) on the eligible wages of the new employee that are paid after March 18, 2010. The credit is claimed on the employer's quarterly payroll returns (Form 941) beginning with the second quarter of 2010.

2. **Retention Credit**
   A qualified employer may receive a credit up to $1,000 for the new employee that is employed for 52 consecutive weeks. The credit is also limited to 6.2% of the employee's wages. To qualify, the wages paid during the last 26 weeks must be at least 80% of the wages paid during the first 26 weeks. This credit is claimed on the employer's annual income tax filing. **The credit is a non-refundable general business credit, so the taxpayer must have federal income tax to benefit from the credit. If the business reports a loss or it cannot fully utilize the credit, then the credit may be carried back one year or carried forward up to 20 years.** Tax-exempt (non-profit) employers are not eligible for this credit.

This new legislation also contains additional provisions not identified above. If you want to discuss how these changes might benefit you, call me at (412) 672-1040.

Very truly yours,

Emmett A. Pais, CPA