

Small Business Health Care Tax Credit:

Please refer to the terms of use on the insurancewithangela.com website

Eligible small businesses can receive a federal tax credit to help with premium costs, covering up to 50% for for-profit employers and 35% for tax-exempt organizations.

The Small Business Health Care Tax Credit is a federal program that helps eligible small businesses and tax-exempt organizations in Massachusetts afford the cost of health insurance for their employees. The credit is worth up to 50% of the employer's contribution toward premiums for for-profit companies and up to 35% for tax-exempt organizations.

Eligibility requirements

To be eligible for the credit, a small business in Massachusetts generally must meet the following criteria:

- **Full-time equivalent (FTE) employees:** Have fewer than 25 FTEs for the tax year.
- **Average annual wages:** Pay average annual wages of less than a specific inflation-adjusted amount per FTE. For 2025, this amount is less than \$66,600.
- **Employer premium contribution:** Contribute at least 50% of the premium cost for employee-only (not family or dependent) health care coverage for each enrolled employee.
- **Qualified health plan:** Offer a qualified health plan through the Massachusetts Health Connector, the state's Small Business Health Options Program (SHOP) Marketplace.

The credit is available for two consecutive taxable years, and the amount is based on a sliding scale. Smaller businesses with lower-wage employees receive a larger credit.

How to claim the tax credit

To claim the credit, follow these steps:

1. **Calculate your FTEs and average annual wages.** The Internal Revenue Service (IRS) has specific rules for this calculation, including how to count part-time workers and that owners and their family members are not counted.
2. **Purchase coverage** for your employees through the Massachusetts Health Connector.

3. **Use IRS Form 8941** (*Credit for Small Employer Health Insurance Premiums*) to calculate the amount of your credit.
4. **Attach Form 8941** to your federal income tax return. Tax-exempt organizations must attach it to Form 990-T.

Other Massachusetts health insurance options

The Health Connector for Business offers a variety of health and dental plans from multiple carriers for employers with 50 or fewer employees. In addition to traditional group health insurance, some small businesses in Massachusetts may also consider other options, such as:

- **Health Reimbursement Arrangements (HRAs):** *An HRA is a tax-advantaged account that allows employers to reimburse employees for medical expenses, including health insurance premiums. The Qualified Small Employer HRA (QSEHRA) is available to businesses with fewer than 50 FTEs.*
- **Association Health Plans (AHPs):** *AHPs allow small employers to band together to purchase large-group health insurance, which may offer more affordable rates. AHPs have different rules and requirements than traditional group plans.*

Note: *For specific advice, it is best to consult with a tax professional, accountant who can provide guidance based on your business's particular circumstances.*