

Churches and the Small Business Health Care Credit

Small to medium sized churches providing health insurance to their employees may qualify for the Small Business Health Care Credit. Churches that have fewer than 25 full time equivalents can qualify. Fewer employees and lower average wages results in a larger credit.

The church will complete a part of the IRS form 990-T and the IRS form 8941 to claim the credit for 2010. These forms must be completed by May 15th if the church is on a calendar year basis. Some churches will have a simple situation and may complete these forms with relative ease. Some churches will have a more complicated situation and should seek the assistance of a CPA. The potential savings could be well worth the effort and the additional expense of the accountant.

This credit is available to small businesses including tax exempt organizations with fewer than 25 FTEs (Full Time Equivalents). To claim the credit, non-profits will use a new version of the 990-T and IRS form 8941.

1. The employer must pay at least 50% of the premiums
2. Credit of up to 35% of the employer's contribution – up to 25% for non-profits
3. Available up to 6 years – 2010 through 2013 plus two years beginning in 2014
4. Credit phased out as the number of FTEs increases from 10-25
5. Credit phased out as average compensation increases from \$25k to \$50k

What about Ministers?

- ▶ Ministers who are issued W-2s (common law employee test) are counted toward the 25 employee limit and towards the premium credit calculation, but their wages are not counted in compensation calculation.
- ▶ The credit is limited to taxes withheld (non-refundable), so if your ministers are filing their own Quarterly Estimated Tax Payments, your church will receive a smaller amount.
- ▶ IRS Notice 2010-82, December 3, 2010

For More Information

- ▶ For more information and to see if your church qualifies see this Q & A at the IRS web site: <http://www.irs.gov/newsroom/article/0,,id=220839,00.html>

Other Changes

- ▶ Cafeteria Plans need to be amended to incorporate coverage for children through age 26 (can be through the calendar year the child turns 26)
- ▶ Amend the plan to not include over the counter medications unless you have a doctor's prescription. This includes Flexible Spending Accounts, Health Reimbursement Arrangements and Health Savings Accounts

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