

## Best Scenario Small Group Coffee Shop, Inc.

### *Assumptions:*

- ~ One owner (not eligible for credit)
- ~ Employer pays all the premium
- ~ Annual Premium cost \$4,704, as reported in Rev Rule 2010-13
- ~ 14 employees eligible for plan, all choose coverage
- ~ All covered employees elect single coverage
- ~ All employees paid the federal minimum wage **\$7.25**
- ~ Employer is a "taxable" business, and profitable enough to claim the credit.

### *Results:*

- ~ 13 non owner employees benefit
- ~ Employer receives the full 35% credit
- ~ Net cost to employer for plan AFTER full credit is \$39,749
- ~ Average NET cost to employer for plan is **\$1.76** per hour after credit
- ~ Average increase in total compensation is 24.3%
- ~ Employees currently enrolled in Public health plans may lose eligibility for those benefits.

### *Observations:*

- 1 The 35% credit of \$21,403 can only be paid to the employer IF the business owes at least that amount in Federal income taxes (excluding State tax). Federal tax of this amount will require at least \$126,000 of taxable profit.
- 2 Smaller employers targeted with this credit who do offer health coverage often have family involved in the business. Exclusion of owners and all persons related to owners dramatically dilutes the value of the credit.
- 3 At SevenHills, to date less than 25% of small employer clients tested appear to be eligible for any credit, none are eligible so far for a full credit.
- 4 At SevenHills, to date no small employer prospect who is not currently offering coverage has suggested that the existence of the credit will inspire them to add a plan for employees.

## Part 2

# Small Employer Health Plan Tax Credit Estimator for Best Scenario Small Group Coffee Shop, Inc

Federal law passed 3/23/2010 provides for tax credits for qualified small employers who offer qualified health benefits, effective with tax years starting 1/1/2010.

In general, an eligible employer must meet the following criteria:

1. Employer must pay at least 50% of the employee health premium. For 2010 this requirement does not include premium for family members, and
2. Have no more than 25 full time equivalent employees, and
3. Have average eligible employee wages that do not exceed \$50,000.

The amount of credit is calculated as a percent of employer paid health insurance premium, as follows:

Tax Year Starting In	"Taxable" Employer	"Tax Exempt" Employer
2010-2013	35%	25%
2014-2015	50%	35%

These calculations are provided to you by SevenHills Partners simply as a guide. Data is based on annualized estimated costs, whereas the credit will be based on the employers actual annual data.

Further, premiums paid may be restricted if they are determined to be higher than a government determined benchmark premium. HHS has determined that the maximum average 2010 Health insurance cost in Minnesota is \$4,704 Single, and \$11,938 Family. Please consult with your tax advisor.

Calculated Number Qualified of Full Time Employee's: (Computed for you from Part 1)	10	If exceeds 25 then ineligible for credit
Calculated Average Annual "Qualified" Pay: (Computed for you from Part 1)	\$16,313	If exceeds \$50,000 then ineligible for credit
<b>Employer Share of Annual Cost:</b> (PLEASE ENTER your estimated annual health insurance cost here)	<b>\$61,152</b>	Note - do not include premiums paid for ineligible employees

### Your Estimated Tax Credit Amount

	Your Initial Credit	Credit Reductions due to:		Your Estimated Net Credit
		EE count in excess of 10 Qualified EE's	Average wages in excess of \$25,000	
If "Taxable" Employer	\$21,403	\$0	\$0	\$21,403
If "Tax Exempt" Employer	\$15,288	\$0	\$0	\$15,288

Note: The usual deduction for employer paid health premiums is reduced by your credit amount.

#### Additional Assumptions:

1. "Taxable" Employer owes income taxes in excess of the credit.
2. "Tax Exempt" Employer pays payroll taxes in excess of credit.
3. For years after 2013 coverage must be purchased through an exchange.

\$61,152 cost  
 - 21,403 credit  
 -----  
 39,749 net cost  
 ÷ 22,500 Hours  
 -----  
 \$1.76 cost per Hour

# Part 1

## Small Employer Health Plan Tax Credit Census for

### Best Scenario Small Group Coffee Shop, Inc

**Instructions:**

Please complete the data fields highlighted in yellow in Part 1 and Part 2. The credit amount will be estimated for you in Part 2.

Ineligible employees for this calculation are those who are Seasonal, 2%+ S-owners and their family members, or 5%+ Shareholder and their family members.

If Ineligible - do NOT include Hour or Pay data.

#### Assumed Health Plan Tax Credit Data

List ALL Employees who worked ANYTIME during the year	Include as Eligible? (enter Y or N)	Estimate Total Hours worked during the year (Maximum is 2080)	Estimate Gross W2 Pay
Employee Name			
<b>Totals:</b>	<b>13</b>	<b>22,500</b>	<b>\$163,125</b>
1	N	-	-
2	Y	2000	\$14,500
3	Y	2000	\$14,500
4	Y	2000	\$14,500
5	Y	2000	\$14,500
6	Y	2000	\$14,500
7	Y	2000	\$14,500
8	Y	1500	\$10,875
9	Y	1500	\$10,875
10	Y	1500	\$10,875
11	Y	1500	\$10,875
12	Y	1500	\$10,875
13	Y	1500	\$10,875
14	Y	1500	\$10,875
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## Part 2

# Small Employer Health Plan Tax Credit Estimator for

# Average Example

Federal law passed 3/23/2010 provides for tax credits for qualified small employers who offer qualified health benefits, effective with tax years starting 1/1/2010.

In general, an eligible employer must meet the following criteria:

1. Employer must pay at least 50% of the employee health premium. For 2010 this requirement does not include premium for family members, and
2. Have no more than 25 full time equivalent employees, and
3. Have average eligible employee wages that do not exceed \$50,000.

The amount of credit is calculated as a percent of employer paid health insurance premium, as follows:

Tax Year Starting In	"Taxable" Employer	"Tax Exempt" Employer
2010-2013	35%	25%
2014-2015	50%	35%

These calculations are provided to you by SevenHills Partners simply as a guide. Data is based on annualized estimated costs, whereas the credit will be based on the employers actual annual data.

Further, premiums paid may be restricted if they are determined to be higher than a government determined benchmark premium. HHS has determined that the maximum average 2010 Health insurance cost in Minnesota is \$4,704 Single, and \$11,938 Family. Please consult with your tax advisor.

Calculated Number Qualified of Full Time Employee's: (Computed for you from Part 1)	<b>16</b>	If exceeds 25 then ineligible for credit
Calculated Average Annual "Qualified" Pay: (Computed for you from Part 1)	<b>\$44,750</b>	If exceeds \$50,000 then ineligible for credit
<b>Employer Share of Annual Cost:</b> (PLEASE ENTER your estimated annual health insurance cost here)	<b>\$75,264</b>	Note - do not include premiums paid for ineligible employees

### Your Estimated Tax Credit Amount

	Your Initial Credit	Credit Reductions due to:		Your Estimated Net Credit
		EE count in excess of 10 Qualified EE's	Average wages in excess of \$25,000	
If "Taxable" Employer	<b>\$26,342</b>	<b>\$10,537</b>	<b>\$20,810</b>	<b>\$0</b>
If "Tax Exempt" Employer	<b>\$18,816</b>	<b>\$7,526</b>	<b>\$14,865</b>	<b>\$0</b>

Note: The usual deduction for employer paid health premiums is reduced by your credit amount.

#### Additional Assumptions:

1. "Taxable" Employer owes income taxes in excess of the credit.
2. "Tax Exempt" Employer pays payroll taxes in excess of credit.
3. For years after 2013 coverage must be purchased through an exchange.

# Part 1

## Small Employer Health Plan Tax Credit Census for

### Average Example

**Instructions:**

Please complete the data fields highlighted in yellow in Part 1 and Part 2. The credit amount will be estimated for you in Part 2.

Ineligible employees for this calculation are those who are Seasonal, 2%+ S-owners and their family members, or 5%+ Shareholder and their family members.

If Ineligible - do NOT include Hour or Pay data.

**Assumed Health Plan Tax Credit Data**

List ALL Employees who worked ANYTIME during the year	Include as Eligible? (enter Y or N)	Estimate Total Hours worked during the year (Maximum is 2080)	Estimate Gross W2 Pay
Employee Name			
<b>Totals:</b>	<b>18</b>	<b>34,640</b>	<b>\$716,000</b>
1	N	-	-
2	Y	2080	\$70,000
3	Y	2080	\$65,000
4	Y	2080	\$60,000
5	Y	2080	\$50,000
6	Y	2080	\$48,000
7	Y	2080	\$42,000
8	Y	2080	\$40,000
9	Y	2080	\$37,000
10	Y	1800	\$37,000
11	Y	1800	\$37,000
12	Y	1800	\$33,000
13	Y	1800	\$33,000
14	Y	1800	\$30,000
15	Y	1800	\$29,800
16	Y	1800	\$28,300
17	Y	1800	\$26,800
18	Y	1800	\$25,300
19	Y	1800	\$23,800
20	N	-	-
21	N	-	-
22	N	-	-
23			
24			
25			
26			

## Part 2

# Small Employer Health Plan Tax Credit Estimator for High Employee Count Small Employer

Federal law passed 3/23/2010 provides for tax credits for qualified small employers who offer qualified health benefits, effective with tax years starting 1/1/2010.

In general, an eligible employer must meet the following criteria:

1. Employer must pay at least 50% of the employee health premium. For 2010 this requirement does not include premium for family members, and
2. Have no more than 25 full time equivalent employees, and
3. Have average eligible employee wages that do not exceed \$50,000.

The amount of credit is calculated as a percent of employer paid health insurance premium, as follows:

Tax Year Starting In	"Taxable" Employer	"Tax Exempt" Employer
2010-2013	35%	25%
2014-2015	50%	35%

These calculations are provided to you by SevenHills Partners simply as a guide. Data is based on annualized estimated costs, whereas the credit will be based on the employers actual annual data.

Further, premiums paid may be restricted if they are determined to be higher than a government determined benchmark premium. HHS has determined that the maximum average 2010 Health insurance cost in Minnesota is \$4,704 Single, and \$11,938 Family. Please consult with your tax advisor.

Calculated Number Qualified of Full Time Employee's: (Computed for you from Part 1)	<b>24</b>	If exceeds 25 then ineligible for credit
Calculated Average Annual "Qualified" Pay: (Computed for you from Part 1)	<b>\$15,162</b>	If exceeds \$50,000 then ineligible for credit
<b>Employer Share of Annual Cost:</b> (PLEASE ENTER your estimated annual health insurance cost here)	<b>\$117,600</b>	Note - do not include premiums paid for Ineligible employees

### Your Estimated Tax Credit Amount

	Your Initial Credit	Credit Reductions due to:		Your Estimated Net Credit
		EE count in excess of 10 Qualified EE's	Average wages in excess of \$25,000	
If "Taxable" Employer	<b>\$41,160</b>	<b>\$38,416</b>	<b>\$0</b>	<b>\$2,744</b>
If "Tax Exempt" Employer	<b>\$29,400</b>	<b>\$27,440</b>	<b>\$0</b>	<b>\$1,960</b>

*Note: The usual deduction for employer paid health premiums is reduced by your credit amount.*

#### Additional Assumptions:

1. "Taxable" Employer owes income taxes in excess of the credit.
2. "Tax Exempt" Employer pays payroll taxes in excess of credit.
3. For years after 2013 coverage must be purchased through an exchange.



# Part 1

## Small Employer Health Plan Tax Credit Census for High Employee Count Small Employer

**Instructions:**

**Please complete the data fields highlighted in yellow in Part 1 and Part 2. The credit amount will be estimated for you in Part 2.**

**Ineligible employees for this calculation are those who are Seasonal, 2%+ S-owners and their family members, or 5%+ Shareholder and their family members.**

**If Ineligible - do NOT include Hour or Pay data.**

*Assumed Health Plan Tax Credit Data*

List ALL Employees who worked ANYTIME during the year		Assumed Health Plan Tax Credit Data		
Employee Name		Include as Eligible? (enter Y or N)	Estimate Total Hours worked during the year (Maximum is 2080)	Estimate Gross W2 Pay
<b>Totals:</b>		<b>25</b>	<b>50,190</b>	<b>\$363,878</b>
1		N	-	-
2		Y	2000	\$14,500
3		Y	2000	\$14,500
4		Y	2000	\$14,500
5		Y	2000	\$14,500
6		Y	2000	\$14,500
7		Y	2000	\$14,500
8		Y	2001	\$14,507
9		Y	2002	\$14,515
10		Y	2003	\$14,522
11		Y	2004	\$14,529
12		Y	2005	\$14,536
13		Y	2006	\$14,544
14		Y	2007	\$14,551
15		Y	2008	\$14,558
16		Y	2009	\$14,565
17		Y	2010	\$14,573
18		Y	2011	\$14,580
19		Y	2012	\$14,587
20		Y	2013	\$14,594
21		Y	2014	\$14,602
22		Y	2015	\$14,609
23		Y	2016	\$14,616
24		Y	2017	\$14,623
25		Y	2018	\$14,631
26		Y	2019	\$14,638

## Part 2

# Small Employer Health Plan Tax Credit Estimator for High Average Pay Small Employer

Federal law passed 3/23/2010 provides for tax credits for qualified small employers who offer qualified health benefits, effective with tax years starting 1/1/2010.

In general, an eligible employer must meet the following criteria:

1. Employer must pay at least 50% of the employee health premium. For 2010 this requirement does not include premium for family members, and
2. Have no more than 25 full time equivalent employees, and
3. Have average eligible employee wages that do not exceed \$50,000.

The amount of credit is calculated as a percent of employer paid health insurance premium, as follows:

Tax Year Starting In	"Taxable" Employer	"Tax Exempt" Employer
2010-2013	35%	25%
2014-2015	50%	35%

These calculations are provided to you by SevenHills Partners simply as a guide. Data is based on annualized estimated costs, whereas the credit will be based on the employers actual annual data.

Further, premiums paid may be restricted if they are determined to be higher than a government determined benchmark premium. HHS has determined that the maximum average 2010 Health insurance cost in Minnesota is \$4,704 Single, and \$11,938 Family. Please consult with your tax advisor.

Calculated Number Qualified of Full Time Employee's: (Computed for you from Part 1)	<b>10</b>	If exceeds 25 then ineligible for credit
Calculated Average Annual "Qualified" Pay: (Computed for you from Part 1)	<b>\$49,200</b>	If exceeds \$50,000 then ineligible for credit
<b>Employer Share of Annual Cost:</b> (PLEASE ENTER your estimated annual health insurance cost here)	<b>\$61,152</b>	Note - do not include premiums paid for Ineligible employees

### Your Estimated Tax Credit Amount

	Your Initial Credit	Credit Reductions due to:		Your Estimated Net Credit
		EE count in excess of 10 Qualified EE's	Average wages in excess of \$25,000	
If "Taxable" Employer	<b>\$21,403</b>	<b>\$0</b>	<b>\$20,718</b>	<b>\$685</b>
If "Tax Exempt" Employer	<b>\$15,288</b>	<b>\$0</b>	<b>\$14,799</b>	<b>\$489</b>

Note: The usual deduction for employer paid health premiums is reduced by your credit amount.

#### Additional Assumptions:

1. "Taxable" Employer owes income taxes in excess of the credit.
2. "Tax Exempt" Employer pays payroll taxes in excess of credit.
3. For years after 2013 coverage must be purchased through an exchange.



# Part 1

## Small Employer Health Plan Tax Credit Census for High Average Pay Small Employer

**Instructions:**

Please complete the data fields highlighted in yellow in Part 1 and Part 2. The credit amount will be estimated for you in Part 2.

Ineligible employees for this calculation are those who are Seasonal, 2%+ S-owners and their family members, or 5%+ Shareholder and their family members.

If Ineligible - do NOT include Hour or Pay data.

*Assumed Health Plan Tax Credit Data*

List ALL Employees who worked  
ANYTIME during the year  
Employee Name

Include as Eligible?  
(enter Y or N)

Estimate Total Hours  
worked during the year  
(Maximum is 2080)

Estimate Gross W2 Pay

Totals:	12	22,003	\$492,000
1	N	-	-
2	Y	2000	\$41,000
3	Y	2000	\$41,000
4	Y	2000	\$41,000
5	Y	2000	\$41,000
6	Y	2000	\$41,000
7	Y	2000	\$41,000
8	Y	2001	\$41,000
9	Y	2002	\$41,000
10	Y	1500	\$41,000
11	Y	1500	\$41,000
12	Y	1500	\$41,000
13	Y	1500	\$41,000
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