



HEALTH CARE REFORM OUR UPDATE & ADVICE

MORRIS & REYNOLDS INSURANCE PRESENTS ADVICE & ANSWERS ON AMERICA'S HEALTH CARE REFORM

SMALL BUSINESS TAX CREDITS



WHO IS ELIGIBLE

The Council of Economic Advisors estimates that four million small businesses are eligible for the credit if they provide health care to their workers. The credit targets **small businesses and tax exempt (non profit) organizations** that primary employ low and middle income workers. Here are some highlights:

- **Employer must have fewer than 25 full time equivalent (FTE) employees.** An employer with less than 50 half-time workers may also be eligible. The employee count does not include owners or family members.
- **Average wages must be less than \$ 50,000.00 per employee per year.** The average wages do not include counting owners or family members.
- **Employer must pay at least 50% of the premiums,** based on the employee only rate, for each employee enrolled in health care coverage, as offered by the employer.
- **Premium Cost Eligibility.** To avoid an incentive to choose a high-cost plan, an employer's eligible contribution is limited to the average cost of health insurance in that state, a figure that will be published in the months to come.

AVAILABLE NOW, PHASED OUT LATER

The credit is effective January 1, 2010. Small businesses providing health care for their workers will receive immediate help with their premiums and firms that initiate coverage this year will get a tax cut as well.

The credit phases out gradually for firms with average wages from \$25,000 to \$50,000 and for firms with the equivalent of between 10 and 25 full-time workers.

HOW MUCH IS THE TAX CREDIT?

- In **2010** the credit is worth up to 35% of premiums paid by small employers and 25% paid by tax exempt organizations.
- In **2014**, the credits increase to 50% for small employers and 35% for tax exempt (non-profit) organizations.
- The maximum credit is available to smaller employers, those with 10 or fewer Full Time Equivalents, paying an annual wage of \$ 25,000.00 or less per person.
- **Firms Can Claim Credit for Up to Six Years.** Firms can claim the credit in 2010 through 2013 and any two years after that.
- Please see page two of this outline for **examples** of exactly how the credit works and how much you might save.

INFORMING SMALL BUSINESSES

To ensure that small businesses know about the credit and how to claim it, the Administration is initiating a nationwide educational campaign for small businesses and tax preparers.

- The IRS will send out postcards to millions of small businesses who may be eligible for the credit.
- Over 1,000 Tax Workshops and Small Business Forums. This year the IRS will have a special focus on the small business credit to get the word and answer questions about how the credit works and how to claim it.

Continued on Page Two...

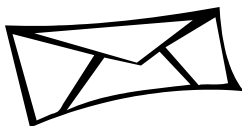
On March 23, 2010 The Patient Protection and Affordable Care Act of 2010 became law. The new laws includes many different aspects including what is called a Small Business Health Care Tax Credit.

Many small businesses and tax exempt (non profits) organizations that provide health insurance coverage to their employees now can consider a special tax credit.

The credit is designed to encourage small employers to offer health insurance coverage for the first time as well as to maintain coverage they already have in place. In general, the credit is available for small employers that pay at least half the cost of the coverage for their employees.

For businesses that are eligible the new credit can help reduce your costs and is, therefore, important. The tax credit is effective immediately and can cover up to 35 % of the premiums a small business pays to cover its workers. In 2014, the credit will increase to 50 %.

As a service to our clients and friends, Morris & Reynolds Insurance is pleased to provide you with an overview of health care reform including how the Small Business Health Care Tax Credit works and how it may impact businesses such as your own.



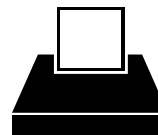
14821 South Dixie Highway
Miami, Florida 33176



305
238.1000

Established 1950

MORRIS & REYNOLDS
Insurance



305
255.9643



www.
morrisandreynolds.com



HEALTH CARE REFORM OUR UPDATE & ADVICE

MORRIS & REYNOLDS INSURANCE PRESENTS ADVICE & ANSWERS ON AMERICA'S HEALTH CARE REFORM

SMALL BUSINESS TAX CREDITS

EXAMPLES OF CREDIT

In order to illustrate how the new Small Business tax credits might impact and assist your business we are pleased to provide the following general examples of how the program will work and the possible savings (credit) it can provide to a variety of businesses.



Example 1: MAIN STREET MECHANIC:

Let's assume that Main Auto Repair Shop employs 10 people. Here's how they could earn a \$24,500 Credit for 2010:

Employees: 10

Wages: \$250,000 total, (\$25,000 / worker)

Employer Premium Costs: \$70,000

2010 Credit: \$24,500 (35% credit)

2014 Credit: \$35,000 (50% credit)

Example 2: DOWNTOWN DINER:

Let's assume Downtown Diner is a restaurant with 40 Part-Time Employee. Here's how they could earn a \$28,000 Credit for 2010:

Employees: 40 half-time employees (the equivalent of 20 full-time workers)

Wages: \$500,000 total, (\$25,000 / full-time equivalent worker)

Employer Premium Costs: \$240,000

2010 Credit: \$28,000 (35%)

2014 Credit: \$40,000 (50%)

Example 3: FIRST STREET FAMILY ORG:

Let's assume that First Street Family is a Non-Profit organization with 9 Employees. Here is how they could earn an \$18,000 credit for 2010:

Employees: 9

Wages: \$198,000 total, (\$22,000 / worker)

Employer Premium Costs: \$72,000

2010 Credit: \$18,000 (25% credit)

2014 Credit: \$25,200 (35% credit)

Example 4: ACE AIR CONDITIONING, LLC:

Let's assume that this manufacturing company has 12 employees. Here is how they could earn \$14,700 credit in 2010:

Employees: 12

Wages: \$420,000 total, (\$35,000 / worker)

Employer Premium Costs: \$90,000

2010 Credit: \$14,700 (35% credit with phase-out).

2014 Credit: \$21,000 (50% with phase-out)



CONSULT YOUR ACCOUNTANT

This issue of Health Care Reform is a brief outline of the new law's small business tax credit. In order to fully evaluate the credit and how it might impact your own unique business we suggest that you please consult with your accounting professional.



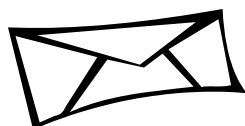
MORRIS & REYNOLDS INSURANCE

The Reynolds family has been in the insurance profession since 1910 and has operated its Independent Agency, Morris & Reynolds Insurance, since 1950.

Now in its third generation of family ownership, Morris & Reynolds offers trusted choices from over 100 of the world's leading insurers for all forms of coverage, as well as innovative care and service from a passionate, award-winning TEAM of professional people, the finest people in insurance.

Whether you need Personal Protection, Commercial Coverage or Employee Benefits, we are happy to help. Please contact us, today, at **305.238.1000**.

Source: The House Committees on Ways and Means, Energy and Commerce, and Education and Labor, 2010



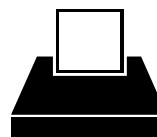
14821 South Dixie Highway
Miami, Florida 33176



305
238.1000

Established 1950

**MORRIS & REYNOLDS
Insurance**



305
255.9643



www.
morrissandreynolds.com