



U.S. TREASURY DEPARTMENT

FACT SHEET: Enhancing Access to the Small Business Health Care Tax Credit: Transition Relief for Small Businesses in Specified Counties in Washington and Wisconsin

The Affordable Care Act (ACA) takes steps to remove key barriers that smaller employers have traditionally faced when offering health insurance to their employees. Historically, these businesses have not had the clout in the marketplace to get affordable plans and they often have had premiums skyrocket when a worker gets sick. Together, new insurance reforms and the Small Business Health Options Program, the SHOP, will help curb premium growth, and spur competition based on price and quality.

Another benefit of the ACA is a tax credit under section 45R of the Internal Revenue Code for certain small employers that provide health insurance coverage to their employees. Specifically, purchase of coverage through the SHOP Marketplace will provide many small businesses access to an expanded Small Business Health Care Tax Credit, which since it first became available under the Affordable Care Act in 2010, has been worth up to 35 percent of employer-paid premium costs (25 percent for tax-exempt employers) and has provided more than \$1 billion in tax credits to date.

For tax years beginning in 2014, that tax credit will be worth up to 50 percent of employer-paid premium costs (up to 35 percent for tax-exempt employers) to help small employers better afford to provide coverage. The credit is available for two consecutive taxable years at this more generous level.

Transition Relief

After December 31, 2013, the credit is generally available only with respect to insurance coverage offered by a small employer to its employees through a SHOP Exchange. The Department of Health and Human Services has advised Treasury and the Internal Revenue Service that SHOP coverage will not be available in certain counties in Washington State and Wisconsin for 2014.

To provide these otherwise eligible small businesses with the opportunity to claim the Small Business Health Care Tax Credit for 2014, today the Treasury Department is announcing transition relief for employers in certain counties in Washington State and Wisconsin that do not

have SHOP coverage available. Under this relief, an otherwise-eligible small employer with a principal business address in one of the counties listed below may qualify for the ACA tax credit by providing health insurance outside a SHOP for its plan year beginning in 2014, so long as the health insurance coverage provided during that plan year would have qualified for an ACA tax credit under the rules applicable before January 1, 2014. This treatment applies with respect to the plan year beginning in 2014 including any portion of that plan year that continues into 2015.

We appreciate the strong commitment that members from Washington and Wisconsin, including Sens. Murray (D-WA) and Baldwin (D-WI) and Rep. Pocan (D-WI) have had in implementing the ACA in a way that works for small businesses.

The Administration is working with state insurance departments and other stakeholders to help ensure that every eligible small employer has access to SHOP coverage in 2015.

EXAMPLE OF HOW THE TRANSITION RELIEF OPERATES

An eligible small employer has a 2014 plan year that both begins January 1, 2014 and end December 31, 2014. The employer's principal business address is in a county listed below in this fact sheet. The employer provides health insurance coverage from January 1, 2014 through December 31, 2014 that would have qualified the employer for a tax credit under the ACA using the rules applicable to taxable years beginning before January 1, 2014.

Conclusion: The employer may claim the credit at the 50 percent rate for the entire 2014 taxable year. If the employer claims the credit for the 2014 taxable year, the 2014 taxable year is the first year of the two-consecutive-taxable year credit period.

LIST OF COUNTIES

Washington: Adams, Asotin, Benton, Chelan, Clallam, Columbia, Douglas, Ferry, Franklin, Garfield, Grant, Grays Harbor, Island, Jefferson, King, Kitsap, Kittitas, Klickitat, Lewis, Lincoln, Mason, Okanogan, Pacific, Pend Oreille, Pierce, San Juan, Skagit, Skamania, Snohomish, Spokane, Stevens, Thurston, Wahkiakum, Walla Walla, Whatcom, Whitman, and Yakima.

Wisconsin: Green Lake, Lafayette, Marquette, Florence, and Menominee.

To read today's notice, click [here](#).

For more information on determining eligibility for the credit, calculating and claiming the Small Business Health Care Tax Credit, click [here](#).