HCTT-2015-78: Health Care Law: Tax Considerations for Employers with Fewer than 50 Employees

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Health Care Law: Tax Considerations for Employers with Fewer than 50 Employees

Some of the tax provisions of the Affordable Care Act apply only to employers with fewer than 50 full-time or full-time equivalent employees.

Employers with fewer than 50 employees should take note of these tax considerations:

- More than 95 percent of employers have fewer than 50 full-time employees or equivalents and are not subject to the employer shared responsibility provision.
- Calculating the number of employees is especially important for employers that have close to 50 employees or whose workforce fluctuates throughout the year.
- If an employer has 50 or fewer employees, it can purchase health insurance coverage for its employees through the Small Business Health Options Program.
- Employers that have fewer than 25 full-time equivalent employees with average annual wages of less than $50,000 may be eligible for the small business health care tax credit. These employers are eligible for this credit if they cover at least 50 percent of their full-time employees' premium costs, and the coverage is purchased through the SHOP.

All employers, regardless of size, that provide self-insured health coverage must annually

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file information returns for individuals they cover. The first returns are due to be filed in 2016 for the year 2015.

The cost of these health care benefits will be reported in box 12 of the Form W-2, with Code DD to identify the amount. In general, the amount reported should include both the portion paid by the employer and the portion paid by the employee. In the case of a health FSA, the amount reported should not include the amount of any salary reduction contributions.

For more information, see the Affordable Care Act Tax Provisions for Small Employers page on IRS.gov/aca.

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