



West Virginians for Affordable Health Care

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SMALL BUSINESSES RECEIVE TAX CREDITS TO HELP WITH HEALTH INSURANCE COSTS

Tax Credits Part of National Health Care Reform

This year ninety percent of all small businesses in West Virginia will qualify for tax credits to help off-set the cost of health insurance for their employees, according to a report released today by Families USA and the Small Business Majority at a news conference held in the state capitol.

The report highlights the fact 21,200 of West Virginia's 23,500 small businesses, with 25 or fewer employees, qualify for some tax credits. 6,100 very small businesses in the state, with ten or less employees, are eligible for the maximum tax credit. The maximum tax credit is 35 percent of the employer's portion of the health insurance premium.

These small business tax credits are the product of the national health care reform legislation, the Patient Protection and Affordable Care Act, adopted by Congress and signed into law by President Obama this spring.

"Fewer small businesses provide health insurance to their employees than do larger employers," said Perry Bryant, Executive Director of West Virginians for Affordable Health Care (WVAHC).

"Only about a third of small businesses with ten or fewer employees in West Virginia provide health insurance coverage, whereas 98 percent of large employers, with 250 or more employees, offer this benefit to their employees. The small businesses that will qualify for these tax credits are local restaurants, neighborhood hardware stores, small contactors, etc... Congress was right to target these very small businesses and provide them with the most tax credits."

The tax credits will assist small businesses with health insurance premiums until 2014 when there will be additional reform measures to assist small businesses according to the new report. Small businesses will be able to purchase insurance in an exchange, a market place for insurance options.

"If operated correctly, the exchange will reduce cost and improve the quality of insurance. Standardized insurance packages will allow small businesses to easily compare insurance options, and make a decision that best fits the needs of their employees," said Bryant. "Also in 2014 insurance companies will no longer be able to charge small businesses higher premiums based on pre-existing conditions of their employees."

The report details another reform, beginning in 2014, that will help small businesses avoid being charged exorbitant administrative.

“This month the National Association of Insurance Commissioners (NAIC) will be drafting rules prohibiting insurers from gouging small business by requiring that a minimum percentage of the insurance premiums collected by insurance companies is actually spent on providing health care,” said Gary Zuckett, Executive Director of West Virginia Citizen Action Group (WV-CAG). “This ‘medical loss ratio’ will help to ensure that small groups and individuals get a better value for their insurance dollar.”

Zuckett pointed to Jane Cline, West Virginia Insurance Commissioner and President of NAIC, as playing a pivotal role in ensuring the medical loss rules aren’t “padded with bonuses for the insurance industry” and “protect the interests of small business as intended.”

Like many small non-profit organizations, The West Virginia Center on Budget and Policy (WVCBP) has been unable to purchase quality, affordable small group coverage.

“Currently, our employees at WVCBP are on their own in finding coverage,” said Renate Pore, a health care analyst at the West Virginia Center on Budget and Policy.

“With health reform, we look forward to having better options when a health insurance exchange is established in 2014. In the meantime, we will explore the feasibility of small group coverage to take advantage of the 25% tax credit available to small non-profits this year.”

How the Tax Credits Work

To qualify for any of the tax credits an employer must contribute at least 50 percent of the total health insurance premium. Employers with ten or fewer employees, and with average wages below \$25,000, qualify for the maximum tax credits. The maximum tax credit would reimburse the employer 35 percent of their contribution to the health insurance premium. The tax credit is phased out to larger small businesses, those with less than 25 employees, and higher salaries, average annual salary below \$50,000. Non-profit organizations can also get assistance under the same criteria, although their assistance is capped at 25 percent of the employers premium contribution. Since non-profit organizations do not pay income taxes, they will pay less in payroll taxes to receive their credit. This program is in effect this year through 2013.

Beginning in 2014, there is a very similar program (employers with 10 or fewer employees and average salary below \$25,000 receive the maximum tax credits, phased out to employers with 25 or fewer employees and average wages below \$50,000). However, the tax credit is increased to 50 percent of the employers’ contribution to the health insurance premiums (35 percent for non-profits). The tax credits beginning in 2014 may only be taken for two years, however.

According to the Congressional Budget Office, the non-partisan agency that determines the cost of Congressional action, the tax credits will cost \$40 billion over the next ten years.

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