



## Small Business Health Care Tax Credit Questions and Answers: How to Claim the Credit

### **Q44. How does an employer claim the credit?**

A44. An employer (other than a tax-exempt employer) claims the credit on the employer's annual income tax return, with an attached [Form 8941](#), Credit for Small Employer Health Insurance Premiums, showing the calculation of the credit.

### **Q45. How does a tax-exempt employer claim the credit?**

A45. An employer that is described in section 501(c) and exempt from tax under section 501(a) claims the credit by filing the Form 990-T, Exempt Organization Business Income Tax Return, with an attached Form 8941 showing the calculation of the claimed credit. Filing Form 990-T with an attached Form 8941 is required for a tax-exempt eligible small employer to claim the credit, even if it is not otherwise required to file Form 990-T. See the question, "Can a tax-exempt organization be eligible?" on the Who Gets the Tax Credit page.

### **Q46. May an employer use the credit to offset its alternative minimum tax (AMT) liability?**

A46. Yes. The credit can be used, subject to certain limitations based on the amount of an employer's regular tax liability, AMT liability and other allowable credits. See section 38(c)(1) of the Internal Revenue Code (Code), as modified by section 38(c)(4)(B)(vi).

### **Q47. Can an employer (other than a tax-exempt employer) claim the credit if it has no taxable income and no AMT liability for the year?**

A47. Generally, no. The credit offsets only an employer's actual income tax liability or AMT liability for the year, subject to certain limitations. However, under the general business credit rules, as amended by section 2012 of the Small Business Jobs Act of 2010, the taxable year 2010 unused credit may be carried back five years or forward up to 20 years. For other years, normal carryback and carry forward rules apply.

### **Q48. Can a tax-exempt employer claim the credit if it has no taxable income for the year?**

A48. Yes. For a tax-exempt employer, the credit is refundable, so even if the employer has no taxable income, the employer may receive a refund (so long as it does not exceed the employer's income tax withholding and Medicare tax liability, as discussed in the "What is the maximum credit for a tax-exempt qualified employer?" question on the Calculating the Credit page.

### **Q49. Can the credit be reflected in determining estimated tax payments for a year?**

A49. Yes.

### **Q50. Does taking the credit affect an employer's deduction for health insurance premiums?**

A50. Yes. In determining the employer's allowable deduction for health insurance premiums, the amount of premiums that can be deducted is reduced by the amount of the credit. Thus, the employer may claim both a credit and a partial deduction for the same premium payments.

### **Q51. May an employer reduce employment tax payments — withheld income tax, Social Security tax and Medicare tax — during the year in anticipation of the credit?**

A51. No. The credit applies against income tax, not employment taxes.

#### **Related Items:**

- [Who Gets the Tax Credit](#)
- [Calculating the Credit](#)
- [Determining FTEs and Average Annual Wages](#)

Return to [Small Business Health Care Tax Credit for Small Employers](#).

Department of the Treasury  
Internal Revenue Service

▶ **Attach to your tax return.**

▶ **Information about Form 8941 and its separate instructions is at [www.irs.gov/form8941](http://www.irs.gov/form8941).**

Attachment  
Sequence No. **63**

Name(s) shown on return

Identifying number

- A** Did you pay premiums during your tax year for employee health insurance coverage you provided through a Small Business Health Options Program (SHOP) Marketplace (or do you qualify for an exception to this requirement)? (see instructions)
- Yes.** Enter Marketplace Identifier (if any): \_\_\_\_\_
- No.** Stop. Do not file Form 8941 (see instructions for an exception that may apply to a partnership, S corporation, cooperative, estate, or trust).
- B** Enter the employer identification number (EIN) used to report employment taxes for individuals included on line 1 below if different from the identifying number listed above \_\_\_\_\_

**Caution.** See the instructions and complete Worksheets 1 through 7 as needed.

<b>1</b>	Enter the number of individuals you employed during the tax year who are considered employees for purposes of this credit (total from Worksheet 1, column (a)) . . . . .		
<b>2</b>	Enter the number of full-time equivalent employees (FTEs) you had for the tax year (from Worksheet 2, line 3). If you entered 25 or more, skip lines 3 through 11 and enter -0- on line 12		
<b>3</b>	Average annual wages you paid for the tax year (from Worksheet 3, line 3). If you entered \$51,000 or more, skip lines 4 through 11 and enter -0- on line 12 . . . . .		
<b>4</b>	Premiums you paid during the tax year for employees included on line 1 for health insurance coverage under a qualifying arrangement (total from Worksheet 4, column (b)) . . . . .		
<b>5</b>	Premiums you would have entered on line 4 if the total premium for each employee equaled the average premium for the small group market in which the employee enrolls in health insurance coverage (total from Worksheet 4, column (c)) . . . . .		
<b>6</b>	Enter the <b>smaller</b> of line 4 or line 5 . . . . .		
<b>7</b>	Multiply line 6 by the applicable percentage: • Tax-exempt small employers, multiply line 6 by 35% (.35) • All other small employers, multiply line 6 by 50% (.50) . . . . .		
<b>8</b>	If line 2 is 10 or less, enter the amount from line 7. Otherwise, enter the amount from Worksheet 5, line 6 . . . . .		
<b>9</b>	If line 3 is \$25,000 or less, enter the amount from line 8. Otherwise, enter the amount from Worksheet 6, line 7 . . . . .		
<b>10</b>	Enter the total amount of any state premium subsidies paid and any state tax credits available to you for premiums included on line 4 (see instructions) . . . . .		
<b>11</b>	Subtract line 10 from line 4. If zero or less, enter -0- . . . . .		
<b>12</b>	Enter the <b>smaller</b> of line 9 or line 11 . . . . .		
<b>13</b>	If line 12 is zero, skip lines 13 and 14 and go to line 15. Otherwise, enter the number of employees included on line 1 for whom you paid premiums during the tax year for health insurance coverage under a qualifying arrangement (total from Worksheet 4, column (a)) . . . . .		
<b>14</b>	Enter the number of FTEs you would have entered on line 2 if you only included employees included on line 13 (from Worksheet 7, line 3) . . . . .		
<b>15</b>	Credit for small employer health insurance premiums from partnerships, S corporations, cooperatives, estates, and trusts (see instructions) . . . . .		
<b>16</b>	Add lines 12 and 15. Cooperatives, estates, and trusts, go to line 17. Tax-exempt small employers, skip lines 17 and 18 and go to line 19. Partnerships and S corporations, stop here and report this amount on Schedule K. All others, stop here and report this amount on Form 3800, line 4h . . . . .		
<b>17</b>	Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust (see instructions) . . . . .		
<b>18</b>	Cooperatives, estates, and trusts, subtract line 17 from line 16. Stop here and report this amount on Form 3800, line 4h . . . . .		
<b>19</b>	Enter the amount you paid in 2014 for taxes considered payroll taxes for purposes of this credit (see instructions) . . . . .		
<b>20</b>	Tax-exempt small employers, enter the <b>smaller</b> of line 16 or line 19 here and on Form 990-T, line 44f. . . . .		