

Small Business Matters

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ASK THE EXPERT



How will ACA affect my taxes this year?

“Depending on the size of your company and whether or not you offer group health insurance as a benefit to your employees, a small business owner could see an increase in tax liabilities this year due to the Affordable Care Act. Companies that offer employee health insurance will automatically see around a 4 percent increase in premiums this year that is directly attributable to ACA.

There is also a capital gains tax attributable to ACA for small business owners. If you make more than \$250,000, under ACA you have to pay an additional .9 percent in Medicare Part A taxes, and if you claim capital gains, you may end up paying an additional 3.8 percent in taxes based on those gains.

The individual deduction for medical expense line item has also been raised from 7.5 to 10 percent of adjusted gross income, making it more difficult to deduct medical expenses.

The biggest benefit comes in the form of the new Small Business Tax Credit incentives that offset a portion of the contributions made by certain small employers for group health-insurance premiums. Beginning this year, for qualifying businesses with less than 25 full-time employees (FTEs) who pay average wages for FTEs of less than \$50,000 per year, and contribute at least 50 percent to their premiums, the Government offers a tax credit based on premiums paid for

employee health insurance that could save you between 35 to 50 percent on your taxes. Health insurance must be purchased through the Small Business Health Option Program (SHOP), one the most positive effects of ACA for small businesses. For those companies that do not currently offer health insurance as a benefit, the SHOP program could be a nice tax incentive to begin doing so.

For more information on the ACA and tax credit eligibility, I recommend speaking to your health insurance advisor or tax consultant.”

James Harmon

President, Dawson Consulting Group