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**MEDIA CONTACTS:**

**Dave Lemmon**  
**Families USA**  
**(202) 628-3030**

**Erin Musgrave**  
**Small Business Majority**  
**(831) 477-0453**

## **New Report: Tax Credits Could Help up to 3.2 Million Small Businesses Provide Health Coverage for Their 19 Million Workers**

### ***Affordable Care Act Program Helps Small Businesses Offer Benefits and Compete Against Larger Companies for Best Talent***

WASHINGTON, D.C.—More than 19 million U.S. workers are employed by the 3.2 million small businesses eligible for \$15 billion in tax credits in the federal healthcare reform, according to a new report released today. The tax credit helps small businesses pay for health coverage for their employees. A major obstacle to coverage, the report notes, is that many small business owners are unaware of these tax credits because of the noisy—and often misleading—debate over healthcare reform.

The tax credit program is outlined in a report released today by Small Business Majority and the consumer group Families USA. The report contains detailed information on the number of eligible employers and employees in each state whom the program could benefit. It also includes the total dollar amount of tax credits that could be provided to businesses in each state.

In general, businesses that offer health coverage and employ fewer than 25 full-time middle-class workers are now eligible to receive a tax credit of up to 35 percent of the cost of premiums for their workers. In 2014, the size of the credit will increase to cover up to half of the cost of health insurance provided to workers.

The tax credit was included in the Affordable Care Act to help the smallest businesses offer coverage—those who traditionally have the most difficult time doing so. In 2011, only 71 percent of small businesses with 10 to 24 workers offered coverage to their workers; among small businesses with fewer than 10 workers, only 48 percent offered coverage. By contrast, 99 percent of businesses with 200 or more workers offered coverage.

The following are among the key findings of the report, titled “Good Business Sense,” about small business employers. (The report itself also contains state specific data.)

- More than 3.2 million small businesses (70.1 percent of businesses with fewer than 25 workers) are eligible for tax credits to help with the cost of health insurance coverage for their workers for the 2011 tax year.
- More than 1.3 million small businesses are eligible to receive the maximum tax credit when they file their 2011 taxes.

- More than two in five (40.3 percent of) small businesses eligible for a tax credit are eligible to receive the maximum tax credit when they file their 2011 taxes.

The following are key report findings about U.S. workers. (The report itself also contains state specific data.)

- Nearly 19.3 million Americans are employed by a small business that is eligible for a tax credit for 2011.
- Of these workers, nearly 5.8 million are employed by a small business that is eligible for the maximum credit.
- The total value of tax credits available to eligible small businesses for 2011 is more than \$15.4 billion, an average of \$800 per worker.
- The total value of tax credits available to small businesses eligible for the maximum credit is more than \$6.1 billion, an average of \$1,066 per worker.

The report also contains state specific-data by race and ethnicity on the number of workers who can benefit from the tax credits. As the report makes clear, however, workers and employers can only begin to benefit when they become aware of the tax credit program.

Among small businesses with low-wage workers, the likelihood of offering coverage is even lower. As a result, lower-wage workers employed by small businesses are much more likely to be uninsured than other working Americans.

“We know from our opinion polling that small businesses want to offer their employees coverage but many of them can’t afford it. The tax credits will make it easier for small businesses to offer coverage, which makes their businesses more competitive and boosts their ability to create jobs and drive economic growth,” said John Arensmeyer, CEO of Small Business Majority.

“Small businesses seeking to provide health coverage for their employees have traditionally faced health insurance premiums that are significantly higher than those for large businesses,” said Ron Pollack, executive director of Families USA. These high premiums are due to higher administrative costs and premiums per employee in the small group insurance market, he said.

“The tax credit program, a provision of the Affordable Care Act, now makes it possible for small business to compete with large employers,” Pollack said. “This is great news for these small companies, who can now offer health benefits when competing for talent in the job market. Just as importantly, it’s great for workers and their families who will now have access to affordable health care.”

“We also know from our polling that the majority of small businesses don’t know these credits exist to help them,” Arensmeyer said. “The best way to serve small business owners is to educate them about this provision so they can participate in and benefit from it.”

Families USA and Small Business Majority contracted with The Lewin Group to develop the estimates used in the report. The full report, “Good Business Sense: The Small Business Health Care Tax Credit in the Affordable Care Act,” is available at [http://www.smallbusinessmajority.org/small-business-research/downloads/050912\\_Small\\_Business\\_Healthcare\\_Tax\\_Credit.pdf](http://www.smallbusinessmajority.org/small-business-research/downloads/050912_Small_Business_Healthcare_Tax_Credit.pdf).