

Calculating the small business tax credit using the state average premium for the small group market

Starting in 2010, up to 4 million small businesses that offer healthcare coverage to their employees may be eligible for a tax credit. To qualify, a small business must:

- Have fewer than 25 full-time equivalent employees (return to the [FAQ](#) for details)
- Pay average annual wages below \$50,000 per FTE (return to the [FAQ](#) for details)
- Contribute at least 50% of each employee's premium

An employer's eligible premium contribution is capped at the average cost of health insurance for the small group market in their state (or an area of the state). If an employer pays 80% of the premium, then the amount that counts is limited to the same portion—80% of the average cost of health insurance in the state.

The average premium for the small group market is determined by the Department of Health and Human Services (HHS). After HHS sets the rate for a state (or within a state) it is published on the IRS website (IRS.gov). The 2010 rates have recently been posted online and are available below:

State	Employee-only Coverage (\$)	Family Coverage (\$)
Alaska	6,204	13,723
Alabama	4,441	11,275
Arkansas	4,329	9,677
Arizona	4,495	10,239
California	4,628	10,957
Colorado	4,972	11,437
Connecticut	5,419	13,484
District of Columbia	5,355	12,823
Delaware	5,602	12,513
Florida	5,161	12,453
Georgia	4,612	10,598
Hawaii	4,228	10,508
Iowa	4,652	10,503
Idaho	4,215	9,365
Illinois	5,198	12,309
Indiana	4,775	11,222
Kansas	4,603	11,462
Kentucky	4,287	10,434
Louisiana	4,829	11,074
Massachusetts	5,700	14,138
Maryland	4,837	11,939
Maine	5,215	11,887

State	Employee-only Coverage (\$)	Family Coverage (\$)
Michigan	5,098	12,364
Minnesota	4,704	11,938
Missouri	4,663	10,681
Mississippi	4,533	10,501
Montana	4,772	10,212
North-Carolina	4,920	11,583
North-Dakota	4,469	10,506
Nebraska	4,715	11,169
New-Hampshire	5,519	13,624
New-Jersey	5,607	13,521
New-Mexico	4,754	11,404
Nevada	4,553	10,297
New-York	5,442	12,867
Ohio	4,667	11,293
Oklahoma	4,838	11,002
Oregon	4,681	10,890
Pennsylvania	5,039	12,471
Rhode-Island	5,887	13,786
South-Carolina	4,899	11,780
South-Dakota	4,497	11,483
Tennessee	4,611	10,369
Texas	5,140	11,972
Utah	4,238	10,935
Virginia	4,890	11,338
Vermont	5,244	11,748
Washington	4,543	10,725
Wisconsin	5,222	12,819
West-Virginia	4,986	11,611
Wyoming	5,266	12,163