

February 17, 2012

Dear Pastors, Church Treasurers, and Organizational Leaders:

In our continuing effort to promote stewardship education for churches and denominational organizations, we want to bring your attention to news you need to know about the **Small Business Health Care Tax Credit**.

If your church or employing organization provides health insurance coverage for one or more of your full-time or part-time employees through the Brethren Medical Plan or another health insurance plan, it may qualify for this tax credit. Enclosed you will find specific information about the credit excerpted from the Internal Revenue Service's website, **IRS.gov**.

We hope your church or organization will benefit from this credit and be able to use those funds to further the mission of your congregation or organization. If you do reap the benefits of this tax credit, please let us know — we enjoy hearing about successful financial stewardship methods from across the denomination. If you have any questions, please contact Tammy Chudy at **800-746-1505, ext. 372**, or **tchudy@cobbt.org**.

Sincerely,



Nevin Dulabaum
President, BBT



Scott W. Douglas
Director of Employee Benefits



Tammy L. Chudy
Manager of Insurance Operations

**Church of the Brethren Benefit Trust does not provide tax advice to individuals or employers. The information in this notice is provided as part of Brethren Insurance Services' educational efforts. For updated forms, guidance, and instructions, individuals and employers should go to the IRS website at www.irs.gov or consult with their individual tax or financial advisers.*

Small Business Health Care Tax Credit 2012

How will the credit make a difference for you?

For tax years 2010 through 2013, the maximum credit is 25 percent for small tax-exempt employers. An enhanced version of the credit will be effective beginning Jan. 1, 2014. In general, on Jan. 1, 2014, the rate will increase to 35 percent for small tax-exempt employers.

Here's what this means for you. If you pay \$50,000 a year toward workers' health care premiums — and if you qualify for a 15 percent credit — you can save \$7,500. If you save \$7,500 a year from tax year 2010 through 2013, that's total savings of \$30,000. If, in 2014, you qualify for a slightly larger credit, say 20 percent, your savings go from \$7,500 a year to \$12,000 a year.

There is good news for small tax-exempt employers. The credit is refundable, so even if you have no taxable income, you may be eligible to receive the credit as a refund so long as it does not exceed your income tax withholding and Medicare tax liability.

And finally, if you can benefit from the credit this year but forgot to claim it on your tax return, there's still time to file an amended return.

Can you claim the credit?

To be eligible, you must cover at least 50 percent of the cost of single (not family) health care coverage for each of your employees. You must also have fewer than 25 full-time equivalent employees. Those employees must have average wages of less than \$50,000 a year.

For assistance in determining if your tax-exempt organization qualifies for the credit, use the IRS step-by-step guide below.

You are probably wondering: What is a full-time equivalent employee? Basically, two half-time workers count as one full-timer. Here is an example: 20 half-time employees are equivalent to 10 full-time workers. That makes the number of FTEs 10, not 20.

Now let's talk about average wages. Say you pay total wages of \$200,000 and have 10 FTEs. To figure average wages you divide \$200,000 by 10 — the number of FTEs — and the result is your average wage. The average wage would be \$20,000.

The amount of the credit you receive works on a sliding scale. The smaller the organization, the bigger the credit. So if you have more than 10 FTEs or if the average wage is more than \$25,000, the amount of the credit you receive will be less.

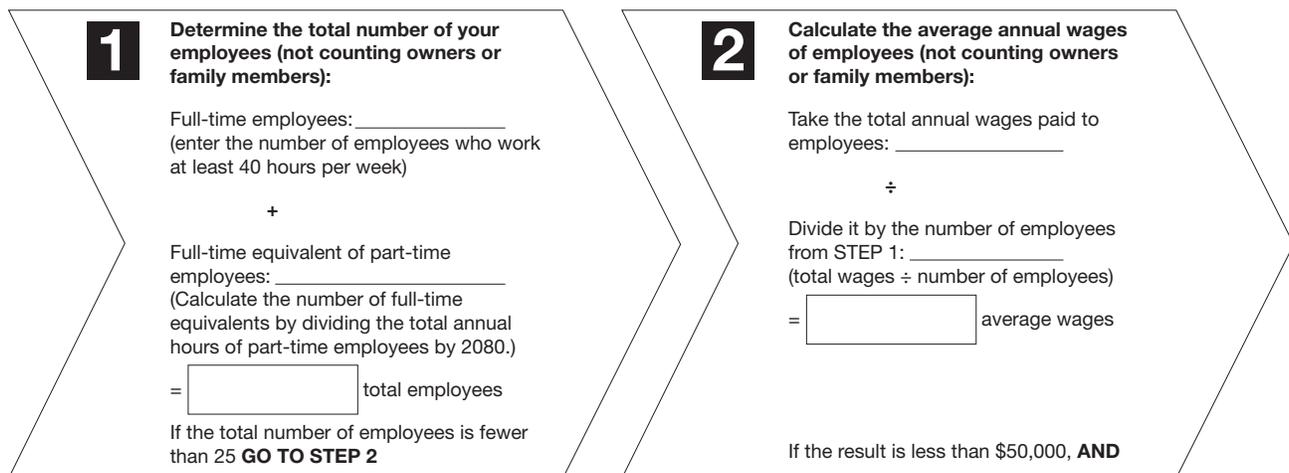
How do you claim the credit?

You must use **Form 8941: Credit for Small Employer Health Insurance Premiums**, to calculate the credit. You can find the form at <http://www.irs.gov/pub/irs-pdf/f8941.pdf>.

For tax-exempt organizations, include the amount on line 44f of **Form 990-T: Exempt Organization Business Income Tax Return**. You must file this form in order to claim the credit, even if you don't ordinarily do so.

3 SIMPLE STEPS

If you are a small employer (business or tax-exempt) that provides health insurance coverage to your employees, determine if you may qualify for the **Small Business Health Care Tax Credit** by following these three simple steps:



3 You pay at least half of the insurance premiums for your employees at the single (employee-only) coverage rate, then

>> you may be able to claim the **Small Business Health Care Tax Credit**.
Find out more information at **IRS.gov**

