Patient Protection and Affordable Care Act of 2010

Within the Patient Protection and Affordable Care Act, approved by Congress and signed by President Obama on March 23, is a credit designed to encourage small business owners to offer health insurance coverage to their employees. In general, the credit is available to small employers that pay at least half the cost of single coverage for their employees.

The maximum credit is 35 percent of premiums paid in 2010 by eligible small business employers and 25 percent of premiums paid by eligible tax-exempt organizations. In 2014, this maximum credit increases to 50 percent of premiums paid by eligible small business employers and 35 percent of premiums paid by eligible tax-exempt organizations.

The credit is specifically designed to help small businesses and tax-exempt organizations that primarily employ low- and moderate-income workers. It is generally available to employers that have fewer than 25 full-time employees paying wages averaging less than $50,000 per employee per year. Because the eligibility formula is based in part on the number of full-time employees – not the number of employees – many businesses will qualify even if they employ more than 25 individual workers.

The maximum credit goes to smaller employers — those with 10 or fewer full-time employees — paying annual average wages of $25,000 or less.

Eligible small businesses can claim the credit as part of the general business credit starting with the 2010 income tax return they file in 2011, using Form 8941.

Another provision of the Affordable Care Act raises the maximum adoption credit from $12,150 per child to $13,170 per child. It also makes the credit refundable, meaning that eligible taxpayers can get it even if they owe no tax for that year.

In addition to filling out Form 8839, Qualified Adoption Expenses, preparers must include with their clients' 2010 tax returns one or more adoption-related documents. Because of these documentation requirements, these returns must be paper-filed.