

Take small-business tax credits where credits are due



Tax credits reduce tax liability dollar-for-dollar, making them particularly valuable. Two available credits are especially for small businesses that provide certain employee benefits. And one of them might not be available after 2017.

1. Small-business health care credit

The Affordable Care Act (ACA) offers a credit to certain small employers that provide employees with health coverage. The maximum credit is 50% of group health coverage premiums paid by the employer, provided it contributes at least 50% of the total premium or of a benchmark premium.

For 2016, the full credit is available for employers with 10 or fewer full-time equivalent employees (FTEs) and average annual wages of \$25,000 or less per employee. Partial credits are available on a sliding scale to businesses with fewer than 25 FTEs and average annual wages of less than \$52,000.

To qualify for the credit, online enrollment in the Small Business Health Options Program (SHOP) generally is required. In addition, the credit can be claimed for only two years, and they must be consecutive. (Credits claimed before 2014 don't count, however.)

If you meet the eligibility requirements but have been waiting to claim the credit until a future year when you think it might provide more savings, claiming the credit for 2016 may be a good idea. Why? It's possible the credit will go away for 2018 because lawmakers in Washington are starting to take steps to repeal or replace the ACA.

Most likely any ACA repeal or replacement wouldn't go into effect until 2018 (or possibly later). So if you claim the credit for 2016, you may also be able to claim it on your 2017 return next year (provided you again meet the eligibility requirements). That way, you could take full advantage of the credit while it's available.

2. Retirement plan credit

Small employers (generally those with 100 or fewer employees) that create a retirement plan may be eligible for a \$500 credit per year for three years. The credit is limited to 50% of qualified start-up costs.

Of course, you generally can deduct contributions you make to your employees' accounts under the plan. And your employees enjoy the benefit of tax-advantaged retirement saving.

If you didn't create a retirement plan in 2016, it might not be too late. Simplified Employee Pensions (SEPs) can be set up as late as the due date of your tax return, including extensions.

Maximize tax savings

Be aware that additional rules apply beyond what we've discussed here. We can help you determine whether you're eligible for these credits. We can also advise you on what other credits you might be eligible for when you file your 2016 return so that you can maximize your tax savings.

Please contact Ceschini, CPAs at (631) 474-9400 for more information about this topic and other tax and business developments – such as new IRS regulations and court decisions.

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