

From: Eric Herzog

Sent: Monday, March 14, 2011 2:13 PM

To: #Pastors in Churches; #Clerks; #Treasurers

Subject: Healthcare Tax Credit for 2010 - file by May 15, 2011

Greetings,

Our Board of Pensions (BoP) has published helpful information and guidance regarding the Small Employer Healthcare Tax Credit that may be available to many of our churches.

The link to the published resources is

<http://www.pensions.org/portal/server.pt?open=514&objID=84204&mode=2>. I have included excerpts from the site below – it includes examples of how this tax credit may apply in church employer situations. Additionally, a worksheet is provided to assist with determining eligibility for the Tax Credit and, if eligible, estimating the amount of the Tax Credit your church may qualify for.

I encourage you to review the excellent resources assembled by our Board of Pensions and to discuss the applicability of this information as soon as possible. – The filing deadline for the each tax year is May 15.

Peace,

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from www.pensions.org

The information and resources provided below pertain to the Small Employer Healthcare Tax Credit (Tax Credit). General tax-related resources for ministers, churches, and employing organizations are available on the Board's [Tax Resource Center](#).

Background

The Small Employer Healthcare Tax Credit was established by the Patient Protection and Affordable Care Act (PPACA), part of the federal healthcare reform legislation enacted in 2010. The Tax Credit provides an incentive for small employers to provide healthcare coverage to their employees.

In December 2010, the Internal Revenue Service (IRS) published final guidance on the Tax Credit as it pertains to small church employers providing coverage under self-funded church plans. **The Medical Plan of the Presbyterian Church (U.S.A.), the healthcare component of the Benefits Plan, is a self-funded church plan and, therefore, qualifies for inclusion in the Tax Credit. This applies to both the Traditional Program and the Affiliated Benefits Program.**

General Qualifications

Small employers that offer a qualifying arrangement [such as the Medical Plan of the PC(USA)], have fewer than 25 Full-Time Equivalent Employees (FTEEs), and average wages of less than \$50,000 may be eligible for the Tax Credit if they contribute a uniform percentage of at least 50% toward the dues/premiums for each employee enrolled in the healthcare coverage they offer. (There is a limited exception to this uniformity requirement for 2010). For tax-exempt organizations, the Tax Credit can be up to 25% of the employer's healthcare coverage costs. The Tax Credit will be issued as a refundable credit against the amounts the employer has withheld from its employees' wages for federal income taxes and Medicare tax, plus the employer's share of Medicare taxes. (Therefore, the credit is also limited by these amounts.)

Qualifications for Churches and Church-Related Employers

Small churches and church-related employers may qualify for the Tax Credit whether they provide coverage through the Medical Plan of the PC(USA) or through a commercial insurance plan. Guidance from the IRS addresses how to handle clergy compensation for determining an employer's eligibility for the Tax Credit and the maximum credit available to an employer. The information below, the worksheet the Board has prepared, and resources available from the IRS will help organizations determine if they may be eligible for the Tax Credit. Employers may also find the examples the Board has developed useful.

Availability to Qualifying Employers

Tax Year 2010: The Tax Credit is available for the 2010 tax year by filing Form 8941 and Form 990-T by May 15, 2011 (for employers on a December 31 fiscal year). Note: If an employer is not able to take advantage of the credit for 2010, it may be able to take steps to allow it to take or increase the credit for 2011 and beyond. This includes ministers voluntarily having their church withhold federal income tax from their compensation (Form W-4).

Tax Years 2011 – 2013: The Tax Credit will continue to be available in its current form through 2013.