



## THIS MONTH:

- ◆ 2010 Health Reform Impacts Small Business
- ◆ A Personal Experience With Small Business

If you have questions about how new laws like the HIRE Act or Health Reform will affect your business and your employees, give us a call. We can help.

## 2010 Health Reform Impacts Small Business

Small businesses and their workers have good reason to pay attention to some of the key provisions in the recently-enacted health reform legislation. Whether a business will be affected by them depends on a variety of factors, such as the number of employees the business has. Below is an overview of the provisions in the new law that will have the biggest impact on small business. If you would like more details about these provisions or any other aspect of the new law, please do not hesitate to call your local Padgett office.

**Tax Credits.** The new law provides small employers with a tax credit (i.e., a dollar-for-dollar reduction in tax) for nonelective contributions to purchase health insurance for their employees.

*Eligibility.* To qualify, a business must offer health insurance to its employees as part of their compensation and contribute at least half the total premium cost. The business must have no more than 25 full-time equivalent employees (“FTEs”), and the employees must have annual full-time equivalent wages that average no more than \$50,000. However, the full amount of the credit is available only to an employer with 10 or fewer FTEs and whose employees have average annual full-time equivalent wages from the employer of less than \$25,000.

*Years Available.* The initial credit is available for tax years beginning in 2010 through 2013. Health insurance coverage purchased from an insurance company licensed under state law will qualify for this first phase. After 2013, the credit is only available on coverage purchased through a state exchange and is only available for two years.

*Amount of Credit.* For tax years beginning in 2010 through 2013, the credit is generally 35% of the employer's nonelective contributions toward the employees' health insurance premiums. The credit is 50% for tax years beginning after 2013. The credit phases out as firm-size and average wages increase.

*Special Rules.* The employer must reduce the deduction for the amount it pays in health insurance by the dollar amount of the credit. For example, if an eligible small employer pays 100% of the cost of its employees' health insurance and the amount of the tax credit is 35% of that cost, the employer can claim a deduction for the other 65% of the premium cost.

*Exclusions.* Self-employed individuals – including partners and sole proprietors, 2% shareholders of an S corporation, and five percent owners of the employer – are **not** eligible for the credit. There is also a special rule to prevent sole proprietorships from receiving the credit for the owner and their family members.

**Penalty Exemption.** Employers with fewer than 50 employees aren't subject to the “pay or play” penalty for not providing coverage to their employees. For businesses with at least 50 employees, the possible penalties vary depending on whether or not the employer offers health insurance to its employees. These provisions take effect Jan. 1, 2014.



## Customer Service: A Personal Experience with Small Business

by Dan Sautner, Padgett Vice Chairman

I recently needed to buy new appliances, and as part of a diligent search, compared several brands and their features. Though I was soon overwhelmed by the data I collected, I sorted out a list of brands and model numbers that met my needs. Thinking that my task was nearly complete, I proudly moved on to pricing and sourcing the items.

I began with the internet, as this is where I had done all of my research, and kept in mind that price would not be the only decision maker. After shipping, online prices were on par with those at the big box stores. Shopping at the box stores, however, led me to salesmen with knowledge levels that were patchy at best, and when asked about service, the answer was always “service is offered through the manufacturer.”

Department store staffs were more knowledgeable and the store provided service, both pluses, but brand selections were limited and though knowledgeable, salespeople would make claims that I knew not to be true to try and make a sale. I appreciated their loyalty to the store and its brands, but they allowed for little flexibility. They would all tell stories of happy customers while at the same time internet review sites had lists of repair problems. Also, as with the box stores, they wanted to deliver the appliances immediately, something for which I was not ready.

Doing further research revealed a consumer report that many people were happiest when they shopped at a small, locally-owned appliance dealer. The good news was that I had one near me! I walked in and met Steve, showed him my list, and began to discuss the pros and cons. He mentioned that taking one feature out of my refrigerator – a door ice dispenser – would likely reduce future problems. Steve could have the appliances delivered anytime I wanted (turned out to be six months later) and said that his store would be the only number to call if I had any problems with any of the five brands I had selected. This was important because I was buying eight appliances; I knew I would have a problem sooner or later.

Steve then took me to the appliances he had in his small showroom. He could only show me a few examples, but this mattered little because I had seen all of them in my previous searches. When he showed me the oven I wanted, he had to apologize because the door was missing. He explained to me that a customer had recently installed one and found the controls were faulty. The replacement was going to take two weeks, so Steve had removed the door from the show room model to keep the customer operating. It was then that I knew I had my supplier.

Since then, the appliances were delivered on time and Steve has twice made arrangements for a manufacturer repair. I made one call, he made many. I can only imagine the number of calls I would have had to make if I had used another supplier.

This is what small business does best, and when it does it well, it easily exceeds any other competitor. A small business may not have the advertising budget and may not offer the gift cards and fancy showrooms, but making their customer happy is their focus because happy customers keep them in business. Long may they thrive!

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