



INSTRUCTIONS AND DEFINITIONS

1. Make a list of all **Full-Time** and **Part-Time Employees** not classified as owners (see below) who worked during the year more than 120 hours. Include annual salaries and annual insurance premiums paid.
2. Calculate number of **Full-Time Equivalent (FTE)** employees using worksheet
3. Calculate **Average Annual Salaries** using worksheet
4. Calculate **Phase-out of Health Care Credit** using worksheet (if applicable)
5. Calculate **Health Care Credit** using worksheet

ILLUSTRATION

Subchapter ("S") Corporation, husband and wife each own 50% of total shares.
 Each are paid \$50,000 for performing personal services and receive a W-2.
 Since both own >2%, they are NOT included as an employee or in the salary calculations.

Employee	Hours Worked	Hours Applied	Annual Salaries	Annual Premiums	HC Credit @ 35%
Manager	2,400	2,080	60,000	9,000	
Staff #1	2,080	2,080	40,000	6,000	
Staff #2	2,080	2,080	30,000	6,000	
Staff #3	2,080	2,080	20,000	6,000	
Staff #4	1,200	1,200	18,000	6,000	
Staff #5	2,080	2,080	20,000	6,000	
Staff #6	2,080	2,080	30,000	6,000	
Staff #7	2,100	2,080	25,000	6,000	
Staff #8	800	800	12,000	6,000	
Staff #9	750	750	10,000	6,000	
Staff #10	2,200	2,080	26,000	6,000	
Staff #11	2,080	2,080	22,000	6,000	
Staff #12	2,400	2,080	26,000	6,000	
Total		23,550	339,000	81,000	\$ 28,350
Divided by annual hours		2,080			
FTE employees		11.32			
Rounded-down to nearest whole number (FTE)		11			
Average annual salaries			339,000		
Divided by FTE employees			11		
Average salaries			30,818		
Rounded-down to nearest \$1,000			30,000		

PHASE-OUT

			Full HC Credit	Phase-out Reduction	Allowable HC Credit
FTE	$\frac{11-10}{15} = \frac{1}{15}$	X	\$ 28,350	= \$ 1,890	
Average annual salaries	$\frac{30K-25K}{25,000} = \frac{5,000}{25,000}$	X	28,350	= 5,670	
Allowable HC Credit			28,350	7,560	\$ 20,790

GLOSSARY

Owners:

Sole Proprietors and family members	Excludes Sole Proprietor & all family members except spouse (See IRS definition of family members)
Subchapter "S" Corporation	2% or more shareholders of the corporation
"C" Corp., LLC & Partnerships	5% or greater owners of the employer

Glossary

HC	Health Care
Annual Salary	Gross pay used for FICA purposes
Full-Time Employees	Worked 2,080 or more hours during the year.
Part-Time Employees	Employees who worked more than 120 & less than 2,080 hours
Seasonal employees	Employees who worked 120 or less hours during the year



KEY

F/T=Full Time Employees, P/T = Part Time Employees, FTE = Full Time Equivalent

A Number of Eligible F/T & P/T Employees (Excludes owners & family members - see Instructions)

Total hours worked by all non-seasonal employees during year (not to exceed 2,080 per employee) Box 1

Box 1 divided total by 2,080 -----> ÷

Number of Full-Time Equivalent Employees (FTE) -----> Box 2

Total Eligible FTE Employees - If number is a fraction, round-down **Box 2** to nearest whole number -----> Box 3

If **Box 3** exceeds **25**, **STOP** (employer is NOT eligible for credit). If **25** or less, complete **Sections B & C** and if applicable **Sections D & E**

B Average Annual Salaries (Excludes owners & family members - see Instructions)

Total eligible salaries -----> Box 4 \$ Divided by (From Section A, Box 3)
Box 3 \$ = Box 5 \$

Round down to nearest \$1,000 -----> Box 6 \$

If **Box 6** exceeds **\$50,000**, **STOP** (employer is not eligible for credit). If **\$50,000** or less, complete **Section C** and if applicable **Sections D & E**

C Full Credit: (if Box 3 is less than or equal to 10 AND Box 6 is less than or equal to \$25,000, SKIP Section D and put a zero in Box 17)

Commercial Business:

Total insurance premium paid for FTE -----> Box 7 \$

For years **2010, 2011, 2012** or **2013**, multiply **Box 7** by -----> 35% Box 8 \$

For years **2014** or **2015**, multiply **Box 7** by -----> 50% Box 9 \$

Exempt Organizations:

Total insurance premium paid to FTE -----> Box 10 \$

For years **2010, 2011, 2012** or **2013**, multiply **Box 10** by -----> 25% Box 11 \$

For years **2014** or **2015**, multiply **Box 10** by -----> 35% Box 12 \$

If **Box 3** is greater than **10** but less than **26** or **Box 6** is greater than **\$25,000** but less than **\$50,001** complete **Sections D**)

D Phase-Out of Credit (if applicable copy amounts from boxes in previous sections)

FTE (Complete if **Box 3** greater than **10** and less than **26**)

Box 3 - 10 Divided by 15 = Box 13 Multiplied by Box 8, 9, 11, or 12 \$ = Box 14 \$

Average Annual Salary (Complete if **Box 6** greater than **\$25,000** and less than **\$50,001**)

Box 6 \$ - \$25,000 Divided by \$25,000 = Box 15 \$ Multiplied by Box 8, 9, 11, or 12 \$ = Box 16 \$

Total reduction to credit -----> Box 14 + Box 16 = Box 17 \$

E Total Health Care Tax Credit

(Copy from Section C)

Box 8, 9, 11, or 12 \$ less reduction to credit (Copy from Section D)
Box 17 \$ = Box 18 \$