

Eli's Hospice Insider

Finance: Small Businesses Eschew Tax Credit, GAO Finds

Credit doesn't provide enough incentive to offer insurance.

If you're not using the Small Employer Health Insurance Tax Credit, you're not alone.

When the tax credit was passed as part of health care reform in the Affordable Care Act, the government and advocacy groups estimated that as many as 4 million employers might use it. But in 2010, only about 170,300 small employers used it, the **Government Accountability Office** notes in a new report, "Small Employer Health Tax Credit: Factors Contributing to Low Use and Complexity."

"One factor limiting the credit's use is that most very small employers, 83 percent by one estimate, do not offer health insurance," the GAO notes in the report summary. "The credit was not large enough to incentivize employers to begin offering insurance."

Complex rules on FTEs and average wages also limited use, the GAO adds. And the time needed to calculate the credit deterred claims.

The government and others had unrealistic expectations about the credit's use from the start, believes consultant **Tom Boyd** with Rohnert Park, Calif.-based **Boyd & Nicholas**. "I could have predicted the GAO study results ... just by reading the credit and knowing more about small businesses than the folks in D.C.," Boyd tells **Eli**.

Note: The report is online at www.gao.gov/products/GAO-12-549.