

Small Business Tax Credit for Church Plan Employers



Pension Fund

of the Christian Church

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IRS Notice 2010-82

- On December 2, 2010, the Internal Revenue Service (IRS) announces Small Business Tax Credit included in the Patient Protection and Affordable Care Act (PPACA) is available to churches and other small employers that obtain coverage through self-funded denominational church health plans.

Required Forms

- Form 8941 – Credit for Small Employer Health Insurance Premiums
- Form 990-T – Exempt Organization Business Income Tax Return

Form 8941 – Line 1 to 5

- Line 1- Report all paid employees (full & part time) regardless of benefit eligibility
- Line 2 – Report the number of Full Time Equivalents (FTE) employed by church again regardless of benefit eligibility
 - Do include clergy members in this count
 - A person working 20 hours per week is $\frac{1}{2}$ an FTE
 - A person working six months a year is $\frac{1}{2}$ an FTE
 - Do not include contract, leased, seasonal (less than 120 days)
- Line 3 – Average Salary = Total salary/number of FTEs
 - Do not include clergy salary, housing or other allowances
 - Do not include contract, seasonal and leased workers wages
- Line 4 – Amount paid for Health Insurance Premiums
- Line 5 – You will need to locate your state for the average premium in the small group markets and enter the amount for each FTE
 - Family coverage includes Employee + Spouse/Same Sex Partner and Employee + Child(ren) as well as Family rate tiers

Form 8941 continued

Line 6 – 8

- Line 6 – Self explanatory
- Line 7 – Multiply Line 6 by 25%
- Line 8 – If line 2 is 10 or less enter the number from line 7
 - If the number of FTE is more than 10, use the following formula
 1. Enter the amount from Line 7 1. _____
 2. Enter the amount from Line 2 2. _____
 3. Subtract 10 from Line 2 3. _____
 4. Divide line 3 by 15. Enter the result as a decimal (rounded to at least 3 places) 4. _____
 5. Multiply Line 1 by Line 4 5. _____
 6. Subtract Line 5 from Line 1. Report this amount on Form 8941, Line 8 6. _____

Form 8941

Line 9

- If Line 3 is below \$25,000, you enter the amount on Line 8 on to Line 9.
- If Line 3 is above \$25,000, then use the following calculation:
 1. Enter the amount from Line 8 1. _____
 2. Enter the amount from Line 7 2. _____
 3. Enter the amount from Line 3 3. _____
 4. Subtract \$25,000 from Line 3 4. _____
 5. Divide Line 4 by \$25,000. Enter the results as a decimal (rounded to at least 3 places) 5. _____
 6. Multiply Line 2 by Line 5 6. _____
 7. Subtract Line 6 from Line 1. Record this amount on to Line 9 7. _____

Form 8941

Line 10 – 20

- For a typical church, lines 10, 11, 15, 17, and 18 are \$0
- Lines 12 and 16 should be the same as Line 9
- Line 13 – The number of persons enrolled in the health plan. If it is the pastor only, enter 1.
- Line 14 – the number of FTEs. If it is the pastor only, enter 1.
- Line 19 – Report the following: Medicare Tax (employee and employer) for all employees and federal income tax for all employees.
- Line 20 – Record the smaller of line 16 or line 19. This is the amount to be recorded on form 990-T Line 44f.

Form 990-T

- Non-Profits are required to file form 990 with the IRS. Churches are exempt from this requirement. In order to qualify for the small business health care credit, Churches must complete this form.
 - Tax year will be calendar year
 - A. Leave Blank
 - B. Check box next to “501” and write in (C) and (3).
 - C. Write estimate of church property value. It has no bearing, however a blank space can draw the IRS’s attention.
 - D. Use the church’s EIN, same as used for payroll taxes.
 - E. Skip
 - F. Use your EIN
 - G. Check box for 503 (c) 3 corporation
 - H. Leave blank
- Parts 1, 2, & 3 are skipped entirely
- Part 4 – Skip lines 40, 41,42 and 43. For Line 44 go to line f. Check box for “other and write the amount from form 8941, line 25. This number goes on line 45 and 48. Line 49, be sure to mark the “Refunded” box.
- Part 5 – Check “No” for questions 1 & 2 and skip line 3.
- Sign it, save a copy of both 990-T and 8941 and mail to:
 - Department of Treasury
 - Internal Revenue Service Center
 - Ogden, UT 84201-0027