

## **The Affordable Care Act and SHOP**

### ***What is SHOP?***

The Small Business Health Options Program, called “SHOP,” is a program mandated by the Affordable Care Act. It is a program designed to assist small businesses in providing affordable healthcare coverage to their employees. “Small” is defined as 50 or fewer Full-Time Equivalent (“FTE”) employees. “Business” includes both for-profit and non-profit ones. In addition, qualifying businesses with 25 or fewer FTE employees may qualify for a tax incentive under SHOP.

Each state is mandated under the Affordable Care Act to set up a SHOP exchange; if a state does not set up the program by the set deadline, the federal government will set it up for the state. This exchange is intended to work much like the individual exchanges mandated by the Affordable Care Act.

SHOP is already available to employers regardless of whether a particular state has set up SHOP. Pennsylvania has not set up its SHOP exchange, so as a Pennsylvania business, you can look into and apply for SHOP under the federal program via the website, [www.healthcare.gov](http://www.healthcare.gov) or by calling 1-800-706-7893.

### ***Do I qualify for SHOP?***

This comes straight from the federal government’s site:

1. In 2014, SHOP is open to employers with 50 or fewer full-time equivalent (FTE) employees. (Use this calculator to determine how many FTE employees your company has: <https://www.healthcare.gov/shop-calculators-fte/> ).
2. In order to use SHOP, you must offer coverage to all of your full-time employees—generally those working 30 or more hours per week on average.
3. In many states, at least 70% of your full-time employees must enroll in your SHOP plan. (Employers who apply for SHOP coverage between November 15 and December 15 each year can enroll without meeting this requirement.)
4. There is a SHOP Marketplace in each state. You must have an office or employee work site within the SHOP’s service area to use that particular SHOP.

### ***SHOP’s Tax Incentives***

If your business (for-profit or non-profit) has 25 or fewer FTE employees, it may be eligible for a federal tax incentive called the Small Business Health Care Tax Credit.

A for-profit company will be able to earn a tax credit. The IRS notes that this credit may be carried forward or backward (IRS Form 8941 for the credit).

As to a non-profit organization, the IRS states that the credit is *refundable*, so even though your business has no taxable income, it may be eligible to receive the credit as a refund (so long as it does not exceed certain payroll taxes, such as the company's income tax withholdings and Medicare tax liability). The IRS states that a non-profit can claim this refund via line 44f of the Form 990-T, "Exempt Organization Business Income Tax Return."

***Does my business qualify for SHOP's tax credit?***

This will ultimately be determined via an application your business must file with the federal SHOP exchange (since PA does not yet have its own SHOP exchange). The federal website and IRS's website pretty clearly sets forth the criteria:

1. As of 2014, you **must** apply through the SHOP Exchange. If you try to just file for the credit or refund without having applied through the SHOP exchange, you will be prevented from qualifying for the credit in not only the year you apply for SHOP, but also future years.
2. You must have 25 or fewer FTE (full-time equivalent) employees.
3. You must pay at least 50% of your FTE employees' premium costs. You do not need to offer coverage to your part-time employees or to dependents.

See <https://www.healthcare.gov/will-i-qualify-for-small-business-health-care-tax-credits/> and <http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers>

Also, <https://www.healthcare.gov/shop-calculators-taxcredit/> has a brief survey you can fill out to see what tax credit you may be able to obtain.

***Next Steps***

In summary, if your business has 50 or fewer full-time equivalent employees, you may be able to obtain healthcare coverage through the SHOP program. If your business has 25 or fewer FTE employees, it may qualify for the SHOP program as well as the tax incentive. Given the seeming ease in determining whether your business will qualify for SHOP and what savings and tax incentives it could offer, it is worth perusing the website, or calling the exchange, to find out more.