

DOLLARS ON THE SIDEWALK

If we spotted a \$100 bill on the sidewalk, most of us would bend over and retrieve it even if it were in a mud puddle. If your organization pays for health insurance for at least one employee, if the total number of full time equivalent units are less than 25, and if the average hourly rate is \$25.00 or less – than your organization may have some dollars to pick up.

One of the provisions of the Affordable Healthcare Act (AHA) is a tax credit that would help small employers partially cover the cost of employer paid healthcare. It is estimated that less than 5% of the eligible businesses have claimed the credit. There are several reasons for this. 1) The program has not been widely publicized. 2) Nonprofit organizations do not think they are eligible for tax credits since they normally do not pay income taxes. 3) The IRS forms are geared more toward an accounting professional and can be daunting for the average small business owner or nonprofit executive director to complete.

For nonprofit organizations that do file for the tax credit, the rewards can be worth the effort. These tax credits come back to the organization in the form of a check from the federal government. A nonprofit housing group with six FTEs, four of which are covered by employer paid health insurance, received a credit of approximately \$3,500 for one year. For the years 2013, 2014, and 2015, the group has received \$8,157 that came to them in the form of checks from the U.S. Treasury. For 2015, a child serving organization with two staff each receiving healthcare had a credit of \$2800. An arts organization with two staff covered by insurance received \$200 in 2015, \$360 in 2014, and \$600 for 2013. These are dollars on the federal government sidewalk worth picking up.

And it is not too late to pick up these dollars that were left on the sidewalk in previous years. An organization can file for the years since the program began.

If you think that your organization may be eligible, you have a couple of options in completing the two required forms (IRS form 8941 and IRS form 990T both available at the IRS website). Option 1 is to complete the documents yourself. A brief outline of what needs to be done follows. Option 2 is if you have an accounting professional, ask him or her to complete the forms. If you do pick this option, you need to ask upfront what the cost will be. Until all the calculations are completed, it is hard to predict if the organization is eligible for the credit and if eligible, the amount of the credit. Ideally, the accounting professional would only charge if you are eligible for the credit. If the accountant charges \$350 to do the forms and the resulting credit is only \$200, then the organization has lost money. Some accounting firms are already doing the credit as part of an overall audit/review package for the organization. If yours is not, ask him or her to do so. Option 3 is using an individual or company that is experienced in completing the forms and is willing to be paid on a contingency basis. What this means is that the individual or firm does all the calculations, completes the forms, and is paid a percentage of the overall tax credit. No check from the government, no fee.

The first thing you will need to do regardless of the option you choose, is to gather the necessary information. You will need the following listed below. Note that the healthcare credit is for a calendar year not your organization's fiscal year. Start with 2015 since that is likely to be the easiest information to pull together.

- Total salaries paid and total federal payroll taxes withheld for the year (federal taxes withheld from employees plus medical
- re employer and employee), The best place to get this is the total page of the W-2's. If you use a payroll service like ADP, Paychex, or Quickbooks, it is easy to download the

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information. You need all salaries not just the salaries of those receiving health care benefits.

- You need a schedule of each employee and the number of hours worked. You must include all staff even those that don't get health benefits. If you only have two employees that worked full-time for 52 weeks, that makes it easy. What makes this more difficult is when there is staff turnover. An employee leaves in March and the replacement comes in May. You need to figure the number of hours each worked in the year. If the organization uses a payroll service, there are reports that can assist in the developing the list.
- The final piece of information is the health insurance costs. This should be easily obtained from your accounting system. Remember it must cover the calendar year not the fiscal year. You should indicate the number of staff members covered by insurance each month.

Once you have the information, you have what it takes to complete the IRS form 8941. The IRS has detailed instructions on how to complete the form. Once you have completed the 8941, you will complete the form 990 T. If your organization earns a credit in 2015 or if you just miss it by having too high a salary or too many staff, you should then complete prior years. Note that you will have to download the proper year forms and instructions. 2012 must be done using 2012 forms and instructions. 2013 must be done using 2013 forms and instructions.

The current regulations limit the tax credit to two consecutive years starting after 2014. What this means is that an organization can take the tax credit in 2014 and 2015 or skip 2014 and take it in 2015 and 2016. Given the current uncertainties about the future of AHA, it is probably better to pick the dollars up sooner rather than later. If one waits, the bills may not be there.

If you would like an example of a completed form 8941 and the corresponding 990T, please contact me and I will provide one at no charge. Just email me at nancy@amazingnonprofits.com and I will send you a sample. If you would like me to complete the forms for you on a contingency basis, you can contact me at the same email.

The sidewalk dollars are there for the taking. If you are due a credit, make sure to claim it.

Nancy Hall has a long history of providing financial and management consulting to nonprofit organizations. In addition to her consulting work, she teaches graduate level courses on nonprofit management and nonprofit finance at Johns Hopkins University.