



Some small businesses can still benefit from the health care coverage credit

Tax credits reduce tax liability dollar-for-dollar. As a result, they can be more valuable than deductions, which reduce only the amount of income subject to tax. One tax credit that hasn't been getting much attention lately but that can still be valuable for some small businesses is the credit for providing health insurance to employees.

Who's eligible?

Under the Affordable Care Act (ACA), certain small employers that provide employees with health care coverage are eligible for this tax credit. Although it's been available for more than a decade and generally can be claimed for only two years, some small businesses may still be eligible. These may include newer businesses as well as older ones that only recently have begun offering health insurance.

The maximum credit is 50% of group health coverage premiums paid by the employer, if it contributes at least 50% of the total premium or of a benchmark premium. For 2025, the full credit is available for employers with 10 or fewer full-time equivalent employees (FTEs) and average annual wages of \$33,300 or less per employee. Partial credits are available on a sliding scale to businesses with fewer than 25 FTEs and average annual wages of less than \$66,600. (These amounts are annually adjusted for inflation and increase to \$34,100 and \$68,200, respectively, for 2026.)

As noted, the credit can be claimed for only two years. Also, those years must be consecutive. (Credits claimed before 2014 don't count, however.) If you started offering employee health insurance in 2025, you may be eligible for the credit on your 2025 return (and again on your 2026 return next year). If you're offering coverage beginning in 2026, you may be able to claim the credit when you file your 2026 return next year (and then again on your 2027 return the following year).

Keep in mind that additional rules apply to the health care coverage credit. But premiums that aren't eligible for the credit generally can be deducted, subject to the rules that apply to deductions for ordinary business expenses.

Can your business claim the credit?

If you're not sure whether your business is eligible for a full (or partial) credit for health care coverage, contact us. We can help assess your eligibility. We can also advise on whether you may be eligible for other tax credits on your 2025 return and if you can take any steps this year so you can potentially claim credits on your 2026 return next year.

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