

Small Business Health Care Tax Credit: Frequently Asked Questions

The new health reform law gives a tax credit to certain small employers that provide health care coverage to their employees, effective with tax years beginning in 2010. The following questions and answers provide information on the credit as it applies for 2010-2013, including information on transition relief for 2010. Additional guidance on the credit is available in [Notice 2010-44](http://www.irs.gov/pub/irs-drop/n-10-44.pdf). <http://www.irs.gov/pub/irs-drop/n-10-44.pdf>

An enhanced version of the credit will be effective beginning in 2014. The new law, the Patient Protection and Affordable Care Act, was passed by Congress and was signed by President Obama on March 23, 2010.

Employers Eligible for the Credit

1. Which employers are eligible for the small employer health care tax credit?

A. Small employers that provide health care coverage to their employees and that meet certain requirements (“qualified employers”) generally are eligible for a federal income tax credit for health insurance premiums they pay for certain employees. In order to be a qualified employer, (1) the employer must have fewer than 25 full-time equivalent employees (“FTEs”) for the tax year, (2) the average annual wages of its employees for the year must be less than \$50,000 per FTE, and (3) the employer must pay the premiums under a “qualifying arrangement” described in Q/A-3. See Q/A-10 through 16 for further information on calculating FTEs and average annual wages and see Q/A-24 for information on transition relief for tax years beginning in 2010 with respect to the requirements for a qualifying arrangement.

2. Can a tax-exempt organization be a qualified employer?

A. Yes. The same definition of qualified employer applies to an organization described in Code section 501(c) that is exempt from tax under Code section 501(a). However, special rules apply in calculating the credit for a tax-exempt qualified employer. An employer that is an agency or instrumentality of the federal government, or of a State, local or Indian tribal government, is not a qualified employer unless it is an organization described in Code section 501(c) that is exempt from tax under Code section 501(a). See Q/A-6.

Calculation of the Credit

3. What expenses are counted in calculating the credit?

A. Only premiums paid by the employer under an arrangement meeting certain requirements (a “qualifying arrangement”) are counted in calculating the credit. Under a qualifying arrangement, the employer pays premiums for each employee enrolled in health care coverage offered by the employer in an amount equal to a uniform percentage (not less than 50 percent) of the premium cost of the coverage. See Q/A-24 for information on transition relief for tax years beginning in 2010 with respect to the requirements for a qualifying arrangement.

For years prior to 2014, only premiums paid to a health insurance issuer, such as an insurance company or HMO, for health care coverage are counted for purposes of the credit. Premiums for health care coverage that covers a wide variety of conditions, such as a major medical plan, are counted and premiums for certain coverage that is more limited in scope, such as limited scope dental or vision coverage, are also counted. However, if an employer offers more than one type of coverage, such as a major medical plan and a separate limited scope dental or vision plan, the employer must separately satisfy the requirements for a qualifying arrangement with respect to each type of coverage the employer offers (meaning the employer cannot aggregate these different plans for purposes of meeting the qualifying arrangement requirement). For a detailed description of the types of coverage that are counted for the credit, see section II.G of Notice 2010-44.

If an employer pays only a portion of the premiums for the coverage provided to employees under the arrangement, with employees paying the rest, the amount of premiums counted in calculating the credit is only the portion paid by the employer. For example, if an employer pays 80 percent of the premiums for employees’ coverage, with employees paying the other 20 percent, the 80 percent premium amount paid by the employer counts in calculating the credit. For purposes of the credit, including the 50-percent requirement, any premium paid pursuant to a salary reduction arrangement under a section 125 cafeteria plan is not treated as paid by the employer.

In addition, the amount of an employer’s premium payments that counts for purposes of the credit is capped by the premium payments the employer would have made under the same arrangement if the average premium for the small group market in the state (or an area within the state) in which the employer offers coverage were substituted for the actual premium. For example, if an employer pays 80 percent of the premiums for coverage provided to employees and

the employees pay the other 20 percent, the premium amount that counts for purposes of the credit is the lesser of 80 percent of the total actual premiums paid or 80 percent of the premiums that would have been paid for the coverage if the average premium for the small group market in the state were substituted for the actual premium. The average premium for the small group market does not apply separately to each type of coverage the employer offers, but rather provides an overall cap for all health insurance coverage provided by a qualified employer. See Q/A-4 for information on the average premium for the small group market in a State (or an area within the State).

Example 1. (i) For the 2010 tax year, a qualified employer offers a health insurance plan with single and family coverage. Employer has 9 FTEs with average annual wages of \$23,000 per FTE. Four employees are enrolled in single coverage and 5 are enrolled in family coverage.

(ii) The employer pays 50% of the premiums for all employees enrolled in single coverage and 50% of the premiums for all employees enrolled in family coverage and the employee is responsible for the remainder in each case. The premiums are \$4,000 a year for single coverage and \$10,000 a year for family coverage. The average premium for the small group market in the employer's State is \$5,000 for single coverage and \$12,000 for family coverage.

(iii) The employer's premium payments for each FTE (\$2,000 for single coverage and \$5,000 for family coverage) do not exceed 50% of the average premium for the small group market in the employer's State (\$2,500 for single coverage and \$6,000 for family coverage).

(iv) Thus, the amount of premiums paid by the employer for purposes of computing the credit equals \$33,000 ((4 x \$2,000) plus (5 x \$5,000)).

Example 2: (i) Same facts as in Example 1, except that the premiums are \$6,000 for single coverage and \$14,000 for family coverage.

(ii) The employer's premium payments for each employee (\$3,000 for single coverage and \$7,000 for family coverage) exceed 50% of the average premium for the small group market in the employer's State (\$2,500 for single coverage and \$6,000 for family coverage).

(iii) Thus, the amount of premiums paid by the employer for purposes of computing the credit equals \$40,000 ((4 x \$2,500) plus (5 x \$6,000)).

Example 3: (i) For the 2010 tax year, a qualified employer offers a major medical plan and a dental plan. The employer pays 50% of the premium cost for single coverage for all employees enrolled in the major medical plan and 50% of the premium cost for single coverage for all employees enrolled in the dental plan.

(ii) For purposes of calculating the credit, the employer can take into consideration the premiums paid by the employer for both the major medical plan and the dental plan, but only up to 50% of the amount of the average premium for single coverage for the small group market in the employer's State.

Example 4: (i) Same facts as in Example 3, except that the employer pays 40% of the premium cost for single coverage for all employees enrolled in the dental plan.

(ii) For purposes of calculating the credit, the employer can take into consideration only the premiums paid by the employer for the major medical plan, and only up to 50% of the amount of the average premium for single coverage for the small group market in the employer's State. The employer cannot take into consideration premiums paid for the dental plan.

4. What is the average premium for the small group market in a state (or an area within the state)?

A. The average premium is determined by the Department of Health and Human Services (HHS). [Revenue Ruling 2010-13](#) sets forth the average premium for the small group market in each state for the 2010 tax year. For the 2010 tax year, HHS may provide additional average premium rates for the small group market for areas within some states (sub-state rates). These additional sub-state rates will be published by the IRS and will not be lower than the applicable rate for each state that is set forth in Revenue Ruling 2010-13.

5. What is the maximum credit for a qualified employer (other than a tax-exempt employer)?

A. For tax years beginning in 2010 through 2013, the maximum credit is 35 percent of the employer's premium expenses

that count towards the credit, as described in Q/A-3.

6. What is the maximum credit for a tax-exempt qualified employer?

A. For tax years beginning in 2010 through 2013, the maximum credit for a tax-exempt qualified employer is 25 percent of the employer's premium expenses that count towards the credit, as described in Q/A-3. However, the amount of the credit cannot exceed the total amount of income and Medicare (i.e., hospital insurance) tax the employer is required to withhold from employees' wages for the year and the employer share of Medicare tax on employees' wages for the year.

7. How is the credit reduced if the number of FTEs exceeds 10 or average annual wages exceed \$25,000?

A. If the number of FTEs exceeds 10 or if average annual wages exceed \$25,000, the amount of the credit is reduced as follows. If the number of FTEs exceeds 10, the reduction is determined by multiplying the otherwise applicable credit amount by a fraction, the numerator of which is the number of FTEs in excess of 10 and the denominator of which is 15. If average annual wages exceed \$25,000, the reduction is determined by multiplying the otherwise applicable credit amount by a fraction, the numerator of which is the amount by which average annual wages exceed \$25,000 and the denominator of which is \$25,000. In both cases, the result of the calculation is subtracted from the otherwise applicable credit to determine the credit to which the employer is entitled. For an employer with both more than 10 FTEs and average annual wages exceeding \$25,000, the reduction is the sum of the amount of the two reductions. This sum may reduce the credit to zero for some employers with fewer than 25 FTEs and average annual wages of less than \$50,000.

Example 5: For the 2010 tax year, a qualified employer has 9 FTEs with average annual wages of \$23,000 per FTE. The employer pays \$72,000 in health care premiums for those employees, which does not exceed the average premium for the small group market in the employer's state, and otherwise meets the requirements for the credit. The credit for 2010 equals \$25,200 ($35\% \times \$72,000$).

Example 6: For the 2010 tax year, a qualified tax-exempt employer has 10 FTEs with average annual wages of \$21,000 per FTE. The employer pays \$80,000 in health care premiums for those employees, which does not exceed the average premium for the small group market in the employer's state, and otherwise meets the requirements for the credit. The total amount of the employer's income tax and Medicare tax withholding plus the employer's share of the Medicare tax equals \$30,000 in 2010.

The credit is calculated as follows:

- (1) Initial amount of credit determined before any reduction: ($25\% \times \$80,000$) = \$20,000
- (2) Employer's withholding and Medicare taxes: \$30,000
- (3) Total 2010 tax credit is \$20,000 (the lesser of \$20,000 and \$30,000).

Example 7: For the 2010 tax year, a qualified employer has 12 FTEs and average annual wages of \$30,000. The employer pays \$96,000 in health care premiums for those employees, which does not exceed the average premium for the small group market in the employer's state, and otherwise meets the requirements for the credit.

The credit is calculated as follows:

- (1) Initial amount of credit determined before any reduction: ($35\% \times \$96,000$) = \$33,600
- (2) Credit reduction for FTEs in excess of 10: ($\$33,600 \times 2/15$) = \$4,480
- (3) Credit reduction for average annual wages in excess of \$25,000: ($\$33,600 \times \$5,000/\$25,000$) = \$6,720
- (4) Total credit reduction: ($\$4,480 + \$6,720$) = \$11,200
- (5) Total 2010 tax credit: ($\$33,600 - \$11,200$) = \$22,400.

8. Can premiums paid by the employer in 2010, but before the new health reform legislation was enacted, be counted in calculating the credit?

A. Yes. In computing the credit for a tax year beginning in 2010, employers may count all premiums described in Q/A-3 for that tax year.

9. What effect do State credits and State subsidies for health insurance have on the amount of the Federal health care tax credit?

A. Some States offer tax credits or a premium subsidy to certain small employers that provide health insurance to their employees. Generally, the premium subsidy is provided in the form of payments made either directly to the employer or

to the employer's insurance company. If an employer is entitled to a State tax credit (whether refundable or nonrefundable) or a premium subsidy that is paid directly to the employer, the premium payment made by the employer is not reduced by the State credit or subsidy for purposes of determining whether the employer has satisfied the qualifying arrangement requirement to pay an amount equal to a uniform percentage (not less than 50 percent) of the premium cost. Also, except as described below in this Q/A-9, the maximum amount of the Federal health care tax credit is not reduced by reason of a State tax credit (whether refundable or nonrefundable) or by reason of payments by a State directly to an employer.

Generally, if a State makes payments directly to an insurance company to pay a portion of the premium for coverage of an employee under employer-provided health insurance (State direct payments), the State is treated as making these payments on behalf of the employer for purposes of determining whether the employer has satisfied the qualifying arrangement requirement to pay an amount equal to a uniform percentage (not less than 50 percent) of the premium cost of coverage. Also, except as described below in this Q/A-9, these premium payments by the State are treated as an employer contribution for purposes of calculating the Federal health care tax credit.

Although State tax credits and payments to an employer generally do not reduce an employer's otherwise applicable Federal health care tax credit, and although State direct payments are generally treated as paid on behalf of an employer, the Federal health care tax credit cannot exceed the amount of the employer's net premium payments. In the case of a State tax credit for an employer or a State subsidy paid directly to an employer, the employer's net premium payments are calculated by subtracting the State tax credit or subsidy from the employer's actual premium payments. In the case of a State direct payment, the employer's net premium payments are the employer's actual premium payments.

If a State-administered program (such as Medicaid or another program that makes payments directly to a health care provider or insurance company on behalf of individuals and their families who meet certain eligibility guidelines) makes payments that are not contingent on the maintenance of an employer-provided group health plan, those payments are not taken into account in determining the Federal health care tax credit.

Example 8: (i) Employer's State provides a health insurance premium subsidy of up to 40% of the health insurance premiums for each eligible employee. The State pays the subsidy directly to the employer.

(ii) Employer has one employee, Employee D. Employee D's health insurance premiums are \$100 per month and are paid as follows: \$80 by the employer and \$20 by Employee D through salary reductions to a cafeteria plan. The State pays Employer \$40 per month as a subsidy for Employer's payment of insurance premiums on behalf of Employee D. Employer is otherwise a qualified employer that meets the requirements for the Federal health care tax credit.

(iii) For purposes of the requirements for a qualifying arrangement, and for purposes of calculating the amount of the Federal health care tax credit, the amount of premiums paid by the employer is \$80 per month (the premium payment by the Employer without regard to the subsidy from the State).

Example 9: (i) Employer's State provides a health insurance premium subsidy of up to 50% for each eligible employee. The State pays the premium directly to the employer's health insurance provider.

(ii) The employer has one employee. The employee is enrolled in single coverage under the employer's health insurance plan.

(iii) The employee's health insurance premiums are \$100 per month and are paid as follows: \$30 by the employer; \$50 by the State and \$20 by the employee. The State pays the \$50 per month directly to the insurance company and the insurance company bills the employer for the employer and employee's share, which equal \$50 per month. The employer is otherwise a qualified employer that meets the requirements for the Federal health care tax credit.

(iv) For purposes of the requirements for a qualifying arrangement, and for purposes of calculating the amount of the Federal health care tax credit, the amount of premiums paid by the employer is \$80 per month (the sum of the employer's payment and the State's payment).

Example 10: (i) Employer's State provides a health insurance premium subsidy of up to 50% for each eligible employee. The State pays the premium directly to the employer's health insurance provider. Employer has one employee. The employee is enrolled in single coverage under Employer's health insurance plan. The employee's health insurance premiums are \$100 per month and are paid as follows: \$20 by the employer; \$50 by the State and \$30 by the employee. The State pays the \$50 per month directly to the insurance company and the insurance company bills the employer for the employer's and employee's shares, which total \$50 per month. The employer is otherwise a qualified employer that

meets the requirements for the Federal health care tax credit.

(ii) The amount of premiums paid by the employer for purposes of determining whether the employer meets the qualifying arrangement requirement (the sum of the employer's payment and the State's payment) is \$70 per month, which is more than 50% of the \$100 monthly premium payment. The amount of the premium for calculating the maximum Federal health care tax credit is also \$70 per month. The maximum credit is \$24.50 ($\$70 \times 35\%$).

(iii) The employer's net premium payment is \$20 (the amount actually paid by the employer excluding the State subsidy). After applying the limit for the employer's net premium payment, the Federal health care tax credit is \$20 per month, (the lesser of \$24.50 or \$20).

Determining FTEs and Average Annual Wages

10. How is the number of FTEs determined for purposes of the credit?

A. The number of an employer's FTEs is determined by dividing (1) the total hours of service for which the employer pays wages to employees during the year (but not more than 2,080 hours for any employee) by (2) 2,080. The result, if not a whole number, is then rounded to the next lowest whole number. See Q/A-13 through 15 for information on which employees are not counted for purposes of determining FTEs.

An employee's hours of service for a year include each hour for which an employee is paid, or entitled to payment, for the performance of duties for the employer during the employer's tax year and each hour of paid leave (except that no more than 160 hours of service are required to be counted for an employee on account of any single continuous period of paid leave). To calculate the total number of hours of service which must be taken into account for an employee for the year, the employer may use any of the following methods: (1) determine actual hours of service from records of hours worked and hours for which payment is made or due, including hours for paid leave; (2) use a days-worked equivalency whereby the employee is credited with 8 hours of service for each day for which the employee would be required to be credited with at least one hour of service under Method 1; or (3) use a weeks-worked equivalency whereby the employee is credited with 40 hours of service for each week for which the employee would be required to be credited with at least one hour of service under Method 1.

Example 11: (i) For the 2010 tax year, an employer's payroll records indicate that an employee worked 2,000 hours and was paid for an additional 80 hours on account of vacation, holiday and illness. The employer counts hours actually worked.

(ii) Under this method of counting hours, Employee A must be credited with 2,080 hours of service (2,000 hours worked and 80 hours for which payment was made or due).

Example 12: (i) For the 2010 tax year, an employee worked 49 weeks, took 2 weeks of vacation with pay, and took 1 week of leave without pay. The employer uses the weeks-worked equivalency.

(ii) Under this method of counting hours, Employee B must be credited with 2,040 hours of service (51 weeks multiplied by 40 hours per week).

Example 13: (i) For the 2010 tax year, an employer pays 5 employees wages for 2,080 hours each, 3 employees wages for 1,040 hours each, and 1 employee wages for 2,300 hours. The employer counts hours actually worked.

(ii) The employer's FTEs would be calculated as follows:

(1) Total hours not exceeding 2,080 per employee is the sum of:

- a. 10,400 hours for the 5 employees paid for 2,080 hours each ($5 \times 2,080$)
- b. 3,120 hours for the 3 employees paid for 1,040 hours each ($3 \times 1,040$)
- c. 2,080 hours for the 1 employee paid for 2,300 hours (lesser of 2,300 and 2,080)

These add up to 15,600 hours

(2) FTEs: 7 ($15,600 \text{ divided by } 2,080 = 7.5$, rounded to the next lowest whole number)

Example 14: (i) For the 2010 tax year, an employer has 26 FTEs with average annual wages of \$23,000 per FTE. Only

20 of the employer's employees are enrolled in the employer's health insurance plan.

(ii) The hours of service and wages of all employees are taken into consideration in determining whether the employer is a qualified employer for purposes of the credit. Because the employer does not have fewer than 25 FTEs for the tax year, the employer is not a qualified employer for purposes of the credit.

11. How is the amount of average annual wages determined?

A. The amount of average annual wages is determined by first dividing (1) the total wages paid by the employer during the employer's tax year to employees taken into account in Q/A-10 by (2) the number of the employer's FTEs for the year. The result is then rounded down to the nearest \$1,000 (if not otherwise a multiple of \$1,000). Only wages that are paid for hours of service determined in accordance with Q/A-10 are taken into account. Wages for this purpose means wages as defined for FICA purposes (without regard to the wage base limitation). See Q/A-13 through 15 for information on which employees are not counted as employees for purposes of determining the amount of average annual wages.

Example: For the 2010 tax year, an employer pays \$224,000 in wages and has 10 FTEs.

The employer's average annual wages would be: \$22,000 (\$224,000 divided by 10 = \$22,400, rounded down to the nearest \$1,000)

12. Can an employer with 25 or more employees qualify for the credit if some of its employees are part-time?

A. Yes. Because the limitation on the number of employees is based on FTEs, an employer with 25 or more employees could qualify for the credit if some of its employees work part-time. For example, an employer with 46 half-time employees (meaning they are paid wages for 1,040 hours) has 23 FTEs and therefore may qualify for the credit.

13. Are seasonal workers counted in determining the number of FTEs and the amount of average annual wages?

A. Generally, no. Seasonal workers are disregarded in determining FTEs and average annual wages unless the seasonal worker works for the employer on more than 120 days during the tax year, although premiums paid on their behalf may be counted in determining the amount of credit.

14. If an owner of a business also provides services to it, does the owner count as an employee?

A. Generally, no. A sole proprietor, a partner in a partnership, a shareholder owning more than two percent of an S corporation, and any owner of more than five percent of other businesses are not considered employees for purposes of the credit. Thus, the wages or hours of these business owners and partners are not counted in determining either the number of FTEs or the amount of average annual wages, and premiums paid on their behalf are not counted in determining the amount of the credit.

15. Do family members of a business owner who work for the business count as employees?

A. Generally, no. A family member of any of the business owners or partners listed in Q/A-14, or a member of such a business owner's or partner's household, is not considered an employee for purposes of the credit. Thus, neither their wages nor their hours are counted in determining the number of FTEs or the amount of average annual wages, and premiums paid on their behalf are not counted in determining the amount of the credit. For this purpose, a family member is defined as a child (or descendant of a child); a sibling or step-sibling; a parent (or ancestor of a parent); a step-parent; a niece or nephew; an aunt or uncle; or a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law.

16. How is eligibility for the credit determined if the employer is a member of a controlled group or an affiliated service group?

A. Members of a controlled group (e.g., businesses with the same owners) or an affiliated service group (e.g., related businesses of which one performs services for the other) are treated as a single employer for purposes of the credit. Thus, for example, all employees of the controlled group or affiliated service group, and all wages paid to employees by the controlled group or affiliated service group, are counted in determining whether any member of the controlled group or affiliated service group is a qualified employer. Rules for determining whether an employer is a member of a controlled group or an affiliated service group are provided under Code section 414(b), (c), (m), and (o).

How to Claim the Credit

17. How does an employer claim the credit?

A. The credit is claimed on the employer's annual income tax return. For a tax-exempt employer, the IRS will provide further information on how to claim the credit.

18. May an employer use the credit to offset its alternative minimum tax (AMT) liability?

A. Yes. The credit can be used to offset an employer's AMT liability for the year, subject to certain limitations based on the amount of an employer's regular tax liability, AMT liability and other allowable credits. See section 38(c)(1) of the Code, as modified by section 38(c)(4)(B)(vi).

19. Can an employer (other than a tax-exempt employer) claim the credit if it has no taxable income and no AMT liability for the year?

A. Generally, no. Except in the case of a tax-exempt employer, the credit for a year offsets only an employer's actual income tax liability or AMT liability, subject to certain limitations, for the year. However, as a general business credit, an unused credit amount can generally be carried back one year and carried forward 20 years. Because an unused credit amount cannot be carried back to a year before the effective date of the credit, though, an unused credit amount for 2010 can only be carried forward.

20. Can a tax-exempt employer claim the credit if it has no taxable income for the year?

A. Yes. For a tax-exempt employer, the credit is a refundable credit, so that even if the employer has no taxable income, the employer may receive a refund (so long as it does not exceed the income tax withholding and Medicare tax liability, as discussed in Q/A-6).

21. Can the credit be reflected in determining estimated tax payments for a year?

A. Yes.

22. Does taking the credit affect an employer's deduction for health insurance premiums?

A. Yes. In determining the employer's deduction for health insurance premiums, the amount of premiums that can be deducted is reduced by the amount of the credit.

23. May an employer reduce employment tax payments -- withheld income tax, social security tax and Medicare tax--during the year in anticipation of the credit?

A. No. The credit applies against income tax, not employment taxes.

Transition Relief for Tax Years Beginning in 2010

24. Is there any transition relief available for tax years beginning in 2010 to make it easier for taxpayers to meet the requirements for a qualifying arrangement?

A. Yes. In Notice 2010-44, the IRS and Treasury issued guidance providing that, for tax years beginning in 2010, the following transition relief applies with respect to the requirements for a qualifying arrangement described in Q/A-3:

(a) An employer that pays at least 50% of the premium for each employee enrolled in coverage offered to employees by the employer is deemed to satisfy the qualifying arrangement requirement even though the employer does not pay a uniform percentage of the premium for each such employee. Accordingly, if the employer otherwise satisfies the requirements for the credit described above, it will qualify for the credit even though the percentage of the premium it pays is not uniform for all such employees.

(b) The requirement that the employer pay at least 50% of the premium for an employee applies to the premium for single (employee-only) coverage for the employee. Therefore, if the employee is receiving single coverage, the employer satisfies the 50% requirement with respect to the employee if it pays at least 50% of the premium for that coverage for each employee receiving single coverage. If the employee is receiving coverage that is more expensive than single coverage, such as family or self-plus-one coverage, the employer satisfies the 50% requirement with respect to the

employee if the employer pays an amount of the premium for such coverage that is no less than 50% of the premium for single coverage for that employee , even if it is less than 50% of the premium for the coverage the employee is actually receiving.

Example 15: For the 2010 tax year, a qualified employer has 9 FTEs with average annual wages of \$23,000 per FTE. Six employees are enrolled in single coverage and 3 employees are enrolled in family coverage. The premiums are \$8,000 for single coverage for the year and \$14,000 for family coverage for the year (which do not exceed the average premiums for the small group market in the employer's State). The employer pays 50% of the premium for single coverage for each employee enrolled in single or family coverage ($50\% \times \$8,000 = \$4,000$ for each employee). Thus, the employer pays \$4,000 of the premium for each of the 6 employees enrolled in single coverage and \$4,000 of the premium for each of the 3 employees enrolled in family coverage. The employer is deemed to satisfy the uniformity requirement for a qualifying arrangement under the transition relief rule.

Example 16: Same facts as immediately preceding Example, except that the employer pays 50% of the premium for employees enrolled in single coverage (\$4,000 for each of those 6 employees) but pays none of the premium for employees enrolled in family coverage. The employer does not satisfy the uniformity requirement for a qualifying arrangement.