

# National Assembly of State Arts Agencies

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## Health Care Law Supports Coverage by Nonprofit Employers

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The health care reform measure signed into law by President Obama on March 23 provides assistance to small businesses and to nonprofit organizations in providing health insurance to their employees.

The final health care package, the Patient Protection and Affordable Care Act, provides a tax credit beginning in 2010 through 2013 for businesses and nonprofit organizations with less than 25 employees and average wages below \$50,000. During those three years, the bill permits a credit for small employers that provide insurance for their employees, and beginning in 2014, credits are available to employers purchasing employee coverage through health insurance exchanges.

Nonprofits can take a credit in the initial period of 25 percent of the employer contribution and 35 percent in subsequent years, and apply the credit to taxes they withhold from payroll. Employees would still receive full credit for taxes withheld from their pay.

During the development of the health care reform legislation, the Senate's bill included provisions to treat nonprofits and for-profits equally. Before Congress had moved to final enactment of the health care legislation and passed the Senate-approved version of the bill, the measure passed last November by the House had not included any provision to help nonprofit employers with paying for health care insurance for their employees; tax credits were given only to for-profit businesses in the House bill. In January, a group of Representatives led by Rep. Betty McCollum (D-MN) sent a letter to House Speaker Nancy Pelosi (D-CA) urging the adoption of the Senate small employer tax credit which expressly applied to nonprofit employers.

The final result ensured that the bill would include incentives to help all smaller employers provide health insurance for their employees. In 2005, (the most recent year for which data are available), nonprofits paid over 4.6% of their total expenditures health care coverage. According to the National Federation of Independent Business, health insurance costs for small firms have increased 113 percent since 1999. As rising health care costs become an increasing concern for nonprofit organizations, the employer incentives offered by the health care reform legislation are intended to ease the burden.