

# Deseret News

## Small businesses like 'Little Chocolatiers' test out health care tax breaks

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Deseret News

Published: Monday, April 12, 2010 2:01 a.m. MDT

SALT LAKE CITY — Steve Hatch and Katie Masterson know and kind of like the notion that the success or failure of the first phase of the new federal health care reform package is hinging on small-business owners like them.

Businesses with 50 or fewer full-time employees — the husband/wife co-owners of Hatch Family Chocolates in the Avenues have eight to 10 part-time workers — are targeted for some serious tax exemptions between now and 2014 under the behemoth, 10-year reform plan.

The couple would jump at the tax break if they could, but because of the current proclivities of the U.S. health insurance industry — the main target of the reform — that deem the couple's dwarfism lifelong pre-existing conditions, employees can't come close to affording the premiums of being in their boss' insurance pool. The couple pay \$925 a month for coverage.

"I wish we could take advantage of what are some very significant tax breaks right now, both for the company's sake but especially for the employees," Masterson said. "We're like most small business owners who view their employees like family members you want to compensate as best you can."

If the uptick in the economy continues, and as other reforms provide new or expanded options to uninsured working Americans, "we might get there sooner than we think," Hatch said, adding that he is convinced that targeting small businesses that can't afford to offer insurance plans or are dropping them because premium prices are heading nowhere but up is a wise first step to improving the system.

"Literally starting small puts reforms where they are needed most," Hatch said. "And starting there will amount to a road test for more comprehensive changes coming over the next eight years. Like it or not, it's at least a step toward dealing with the most serious financial problem facing any business, small or large."

In this first stage of business exemptions, employers can receive a credit of up to 35 percent of their contribution toward the costs of providing health insurance to their employees as long as they contribute at least 50 percent of the total premium cost.

The law gives the biggest subsidy to the smallest employers — those with 10 or fewer employees, said Corey Copozza, a health care policy analyst with the advocacy group Voices for Utah Children.

The amount of the credit phases out as firm size and average wage increases. In 2014, the subsidy jumps to 50 percent of the employer's contribution. The tax credit is available to any given employer for a period of two years.

Businesses with 50 or fewer employees are exempt from penalty in the reform plan.

"That means," Copozza said, "that the vast majority of private-sector firms in Utah will not be subject to an employer nonparticipation penalty because 76 percent of Utah small businesses have 50 or fewer employees."

The small-business tax credits included in federal health reform are designed to reverse that trend and to entice new employers into offering group coverage. Larger businesses — those with more than 50 workers — that have employees receiving publicly funded health assistance will pay an assessment to help offset

the cost of those subsidies to taxpayers.

"This is to ensure that employers who are able to do so continue to offer coverage to their employees and that employers who should already be offering coverage aren't incentivized to abuse new publicly funded options," Copozza said.

Although opponents keep teeing off about limits and the reform plan's nonparticipation penalties for businesses, the penalties are included to ensure larger employers continue to offer the medical insurance to workers that they're offering now as publicly underwritten insurance options are implemented over the next few years, she said, adding that just more than 30 percent of Utah employers with 50 or fewer workers now offer employer-sponsored coverage.

Coupled with premium subsidies, the small-business tax credits and the coming Web-based health insurance exchanges should help extend coverage to many Utah workers and their families currently shut out of the benefits of job-based coverage, Copozza said.

Businesses here with two to 50 employees not only rank the cost of medical care — insurance rates in particular — as the single biggest financial impediment for their companies, more than two-thirds of arguably the most free-market-oriented economic sector in the country are demanding comprehensive change, even if it means partnering with state and federal government.

"That's because this very pragmatic, bottom-line-oriented core of the economy recognizes that it's going to require partnership of individuals, employers, insurers, health care providers and yes, government, to fix the system," said John Arensmeyer, founder and chief executive officer of Small Business Majority. The national small-business advocacy group has been targeting health care reform for four years.

"Here and nationwide, the soaring cost of care is dictating whether a business expands, limiting new hires and even if someone starts a new business," he said. "The vast majority of small-business owners here and across the country believe they have not only the financial but the moral imperative to offer medical insurance."

Tom Hori, a Bountiful small-business owner, said he's taking a wait-and-see attitude about what he deems the single biggest cost of any small business owner. Trying to keep coverage for all 15 employees has involved some serious juggling and trimming of benefits.

"I want to provide that benefit," he said, "and I'm locked into it with my long-term employees. But at \$1,200 a month for my part of the premium, I don't know how long I can keep up."

During the past eight years, Hori said his premiums have increased by 50 percent. They're on a pace to double in eight years if reforms are effective in bringing down the cost of insurance so employers will want to offer it rather than drop it to save money.

Hatch said that although the reform discussion hasn't been a battle of political quips and not all that constructive the past year, the country needed to have some kind of official plan to start with.

"There are things wrong, and there are a lot of things that are right," he said. "This is a first step of a long, complicated process that will evolve, and change will require all of us trying our best to figure out."

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