



Written by [Kelly Holt](#) on May 31, 2012

ObamaCare Tax Credit Unpopular With Small Business

A Government Accountability Office (GAO) [report](#) dated May 2012 revealed that a paltry percentage of small businesses took advantage of the Small Employer Health Insurance Tax Credit in 2010. Of the 1.4 to 4 million small businesses and government agencies estimated to be eligible, only 170,300 claimed it. Part of the Patient Protection and Affordable Care Act (PPACA), commonly known as ObamaCare, the measure that, according to [cnsnews.com](#), “gets strong support in public opinion polls has turned out to be a disappointment.” Of the 170,300 claiming the credit most claimed only a partial percentage, with only 28,100 claiming the full credit.



According to the GAO report, “One factor limiting the credit’s use is that most very small employers, 83 percent by one estimate, do not offer health insurance.” Analysts meeting with the GAO reported that “the credit was not large enough to incentivize employers to begin offering insurance.” Other deterrents were the complexity of the rule and the heavy time commitment required to figure it out. Cnsnews added, “The credit, which once had support in principle from lawmakers of both parties, was supposed to help businesses already providing coverage afford the premiums.”

John Arensmeyer, founder of Small Business Majority, said, “We agree it is not a panacea for all costs.” The advocacy group supports the healthcare law. “The problem is all the negative publicity around the health care law has discouraged business owners from applying for the credit.” He claimed, “There has been more heat than light shone on this,” adding, “There is no reason why small businesses shouldn’t be taking advantage of this credit.”

But his position is at odds with the large number of small businesses who have voluntarily chosen not to take advantage of the credit and with the much larger independent business federation. And the GAO report identified another group whose decision has played a part in the tax credit’s failure. Low-wage employees working for small employers generally prefer to receive wages over insurance benefits as part of total compensation.

Critics note that employees and employers know what they want, yet the Obama administration is expected to ask Congress for ways to fix the lack of interest by small business. Republicans say they want to repeal ObamaCare, not change it.

“They completely missed the target on this thing,” said Rep. Sam Graves, R-Mo. (Chair of the House Small Business Committee), according to cnsnews. “I don’t think expanding it is going to make any difference whatsoever.”

The cnsnews report continued, “It doesn’t help the administration’s plea that the biggest small-business lobbying group is a lead plaintiff asking the Supreme Court to overturn the Affordable Care Act. The National Federation of Independent Business isn’t likely to spend much time tinkering with the tax



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credit or promoting it to members.”

The biggest benefits of the tax credit go to very small companies paying low wages. These businesses typically don’t offer coverage, and the tax credit is not sufficient to encourage them to start doing so. An unidentified tax preparer was quoted in the GAO report as saying that “people get excited that they’re eligible and then they do the calculations and it’s like the bottom just falls out of it and it’s not really there.”

In typical big government fashion, the IRS tried to simplify the process, outlining three simple steps employers needed to follow, but the GAO found “the three steps become 15 calculations, 11 of which are based on seven worksheets, some of which request multiple columns of information.”

The credit is temporary, and will expire in 2016. It would cost an estimated additional \$14 billion to implement the administration’s fixes.

The failure of small businesses to use this credit exposes a failure of the PPACA: It fails to recognize that small businesses make market-based decisions, and those decisions keep them going, able to continue providing jobs and services in a crumbling economy.



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