

Despite Democrats' Claims, Small Business Health Insurance Tax Credit Fails to Increase Insurance Coverage

Small Business Administration Confirms What Small Business Owners Have Been Saying All Along:

"The actual number of small businesses that could benefit from the credit will be much smaller than" the Obama Administration claims

Wednesday, September 21, 2011

A new [report](#) by the Small Business Administration (SBA) confirms what small businesses have repeatedly told the Obama Administration and Congressional Democrats – the Small Business Health Insurance Tax Credit doesn't work. The [National Federation of Independent Businesses](#) (NFIB) has reported, "Unfortunately, the credit included in the new health care law does not provide the kind of long-term benefits that will truly increase affordability for small businesses and their employees."

SBA's new study - *Health Insurance in the Small Business Market: Availability, Coverage, and the Effect of Tax Incentives* - reinforces why NFIB is correct:

"It is likely that the credit will initially primarily benefit those small businesses that already provide health insurance for their employees...Some small employers may be reluctant to offer health insurance to their employees because of perceived uncertainty about the effects of health care reform ... Because of uncertainty about the economy, other small employers may defer decisions to add a new employee benefit.

[Therefore] "in the early years following availability of the credit, it is likely that those firms that previously offered health insurance benefits will claim the vast majority of the tax credits."

The study echoes findings in NFIB's [survey](#) of small business owners evaluating the Democrats' health care law who described the credit as a windfall for employers already offering coverage, rather than an incentive to help the uninsured.

"The PPACA tax credit acts almost exclusively as a windfall for small employers who currently offer health insurance rather than as an incentive to encourage its purchase. Considering eligibility and awareness issues, the full credit incents, but does not necessarily change behavior, of only about 2% of small employers having fewer than 25 employees."

As part of its campaign to try to reverse public opinion in favor of the law, the Obama Administration embarked on a costly, taxpayer-funded public relations campaign and mailed information on the tax credit to 4 million small businesses, many of whom the Administration knew would not qualify. The SBA concludes, "Our estimates suggest that the actual number of small businesses that could benefit from the credit will be much smaller than the 4 million estimated to be eligible for it."

Or, as NFIB [stated](#), the eligibility criteria will render far fewer than 4 million eligible for the credit.

"The White House estimates four million small businesses are eligible, though the 'if they provide insurance' condition of the credit is typically forgotten in oral commentary. Far fewer than four million are eligible for the credit as a practical matter and still fewer will be able to avail themselves of the full credit. Others who are eligible will find the credit so small and complex that it is not worth the cost of calculation."

Another day, another independent report and another reminder that the Democrats' health care law is not working for America.

###