

Report: Healthcare law tax credits encourage small businesses to stay small, not hire

By Jay Heflin - 05/23/10 04:30 PM ET

A study by the National Center for Policy Analysis shows that tax credits in the new healthcare law could negatively impact small-business hiring decisions.

The new law provides a 50 percent tax credit to companies offering health coverage that have fewer than 10 workers who, on average, earn \$25,000 a year. The tax credit is reduced as more employees are added to the payroll.

The NCPA study finds the reduction in tax relief to be a cost concern for companies looking to hire additional workers, but operate on slim profit margin yet still provide employee health coverage.

“You wouldn’t think this would have an impact, but at the margins, when they [business owners] decide to hire an extra worker, they’re not only going to be paying that worker’s salary, they’re going to have to absorb the cost of losing the tax credit,” Pamela Villarreal, NCPA Senior Policy Analyst and co-author of the report, told The Hill.

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