



Healthcare Aid No Help to Small Businesses

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One expert says President Obama's healthcare aid to small firms is shaping up to be a disappointment because the tax credit offers little incentive.

According to the [Associated Press](#), only 170,000 businesses claimed the tax credit in 2010, while as many as four million businesses were eligible.

Dr. Devon Herrick of the Dallas-based [National Center for Policy Analysis](#) (NCPA) is not surprised. He tells OneNewsNow the provision only helps a few firms, but it also inhibits small businesses from hiring workers.

"First off, the small business tax credit is designed to provide up to a 35 percent subsidy to certain small employers who pay half the contributions for employee health insurance," Herrick explains. "The reason why it only helps a few firms is because it only applies to firms that have 25 workers [or less], and the average wages for all employees of that firm must be \$50,000 [or less]."

He adds that in most cases, those workers are probably not offered health insurance in the first place, and the amount of the subsidy is probably not going to persuade them to start. Furthermore, the closer an employer is to that 25 worker maximum, the smaller the subsidy becomes. Herrick also points out that the tax credit inhibits small firms from increasing a worker's pay.

"Let's say, for example, if you need to hire workers, you might find it more financially beneficial to instead invest in technology," he offers. "One of the anecdotes that I sometimes give is that instead of hiring ditch-diggers ... and having them use a shovel, you might hire a more highly paid guy to operate a backhoe. In economics, you can substitute capital or equipment for labor, depending on the cost of labor."

The NCPA expert [concludes](#) that if labor is more expensive, firms will be more apt to buy equipment that is labor-saving, which translates into no added jobs.