SMALL BUSINESS HEALTH INSURANCE TAX CREDIT

Health insurance premiums are rising rapidly for small businesses, making it increasingly difficult to offer quality, affordable coverage. In 2024, just 38%[1] of Illinois businesses with fewer than 50 employees offered small-group coverage to their workforce. As a result, workers at small businesses are disproportionately likely[2] to purchase individual coverage (where premiums are also rising rapidly)[3] or go uninsured.[4]

Small business owners and their employees need other options.

> Our bill will provide a **two-year tax credit** to businesses that offer their employees a Health Reimbursement Arrangement (HRA).
> - Businesses with fewer than 50 employees will be eligible for the tax credit.
> - The credit is worth 20% of the employer's contribution to the HRA in year one and 10% in year two.
> - The credit is capped at $1,200 per employee in year one and $600 in year two.
> - The total program cost is capped at $10 million per year.

HRAs allow employers to set aside a fixed amount of money each month that employees can use to purchase individual health insurance or pay for medical expenses, tax-free.

Our bill will **make healthcare coverage more accessible**:

- HRAs help employers offer coverage for the first time. In 2025, 83%[5] of employers that offered an HRA to their employees had not previously provided health insurance.
- HRAs provide meaningful financial support. In 2026, the median employer contribution was about $5,500 per covered life, equal to 81%[6] of the median premium for all plans employees selected.

Our bill will **strengthen the individual market**:

- Rising prices and lost tax credits are driving young, healthy individuals away from the individual market,[3] but increased HRA adoption will help reverse this trend.
- Employees who use HRAs to purchase individual coverage are significantly younger[6] than the typical individual market enrollee.

This tax credit will help small businesses offer health benefits while remaining competitive and managing costs. Illinois policymakers should take every possible step to make it more affordable for small businesses to begin offering coverage to their employees.

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