



*Would you like to help your employees take advantage of a federal program that assists them in paying for affordable healthcare on a monthly basis?*

Employers can do this by giving eligible employees the Advance Earned Income Tax Credit (AEITC) with their pay, and by subtracting the payments you make from payroll taxes. This is possible through the Advance Earned Income Tax Credit (AEITC) programs. This credit reduces the amount of tax owed by the taxpayer and can be used to pay for health insurance premiums on a monthly basis.

Eligible employees can receive part of their Advance Earned Income Tax Credit in their paychecks throughout the year, instead of waiting until they file their tax returns. To be eligible for this AEITC payment, an employee must have a qualifying child and expect to fall within certain income limits. OptiMed handles all aspects of this program, by working with the employee to complete required forms, and by assisting the employee in determining the amount of their monthly tax credit. The Employer’s payroll department then takes over.

The advance payment deduction is added to the employee’s net pay for the pay period and then re-directed to OptiMed for purposes of paying health insurance. Since the AEITC is not wages, you don’t withhold any Income Tax, Social Security, or Medicare taxes from the AEITC portion of the payment.

Generally, you make the advance payments from withheld income tax, employee & employer Social Security and Medicare taxes. However, the payment does not change the amount of employment taxes you would usually withhold from the employee’s pay. If the employee is entitled to an advance payment that is more than his or her withholding, you can still make a payment to the employee.

Report the payments made to your employees by showing the total payments on the AEITC line of your employment tax return, Form 941, Form 943, or Schedule H of Form 1040, whichever applies, and subtract this amount from your total employment taxes.

The IRS States “ Employers...are not required to determine if a completed and signed W-5 is correct.” Employees alone determine if they qualify for the AEITC. The employer has no role in making this determination.

**Who is Qualified for AEITC?**

To be eligible, the employees must have a qualifying child and earn less than the following amounts in the year:

Single Employees	Married Employees
\$35,340	\$38,460

**How Much is the AEITC?**

This depends on marital status and earnings, as set forth in the following table. As you can see, the AEITC becomes smaller as the employee’s earnings increase (figures are for tax year 2009).

Monthly Earnings	Single	Married
\$1,200	\$152.00	\$152.00
\$1,400	\$149.00	\$152.00
\$1,600	\$129.00	\$152.00
\$1,800	\$110.00	\$135.00
\$2,000	\$91.00	\$116.00
\$2,200	\$72.00	\$97.00
\$2,400	\$53.00	\$78.00

**(Note: This is not an insurance benefit)**