

2012 Credit for Qualified Health Insurance Plans

Phone Numbers

For more information or help, call one of the numbers listed below.

Phoenix	(602) 255-3381
From area codes 520 and 928, toll-free	(800) 352-4090
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 and 928, toll-free	(800) 397-0256

For tax rulings, tax procedures, tax forms and instructions, and other tax information, access our home page at www.azdor.gov.

General Instructions

For taxable years beginning on or after January 1, 2012 through December 31, 2014, Arizona law provides a credit for employers who provide qualified health insurance plans or contributions to health savings accounts (HSA) for its employees who are Arizona residents.

This credit is available to individuals, corporations, and S corporations. A partnership may pass the credit through to its partners. An S corporation may pass the credit through to its shareholders. The total of the credits allowed all of the owners of the business may not exceed the amount that would have been allowed for a sole owner of the business.

To be eligible, the HSA must be an HSA that is established under Internal Revenue Code (IRC) section 223. A qualified health insurance plan is a high deductible plan that includes catastrophic health care coverage and that is established in conjunction with an HSA.

The amount of the credit is \$360 for every qualified employee who is enrolled in the qualified health insurance plan.

You cannot take a deduction for the same expenses for which you claim a credit. You must add-back the amount of expenses claimed for the taxable year to your Arizona gross income.

If the allowable credit exceeds your income tax liability, you may carry over any unused amount to the next succeeding taxable year.

To qualify for the credit, the employer must:

1. Have not provided health insurance coverage to its employees for the 90 days immediately preceding the offer of the qualified health insurance plan in the taxable year in which the employer initially claims the credit.
2. Offer the qualified health insurance plan to every employee.
3. Pay at least \$360 during the taxable year for health insurance premiums or contributions to a health savings account for every qualified employee who is enrolled in the qualified health insurance plan.
4. Provide the health insurance plan to the enrolled employee for at least twelve (12) consecutive months.
5. Employ at least 2 and not more than 50 employees who are residents of Arizona.

Part I - Business Information

Lines 1 through 3-

Enter the name, address, and employer identification number of the business that employs qualifying employees.

Part II - Credit Computation

Before completing lines 4 through 6, complete Arizona Form 347-1. This is a list of all qualified employees for which you are claiming the credit.

Form 347-1 Qualified Employees for Which You Are Claiming a Credit

An eligible employee is an employee that is an Arizona resident who was not offered health insurance coverage for 90 days preceding the offer of the qualified health insurance plan. Although an employer must offer the qualified health insurance plan to every employee, list only those enrolled employees that qualify. For each employee who qualifies, provide the following information.

- In column (a), enter the qualified employee's name. The employee must be an Arizona resident.
- In column (b), enter the qualified employee's social security number.
- In column (c), enter the total amount the employer paid for the employee's qualified health insurance plan plus any amount contributed to the employee's health savings account. If the amount is less than \$360, the employee does not qualify.

If you have more than 20 qualified employees, attach a separate schedule. Enter the total number of qualified employees you are claiming for this credit on Form 347-1, line 21 and on Form 347, Part II, page 1, line 4.

Lines 4 through 6 -

Complete lines 4 through 6 as instructed on the form.

Part III - S Corporation Credit Election and Shareholder's Share of Credit

Line 7 -

The S corporation must complete this portion of Form 347 in order for the S corporation or its shareholders to claim this credit. The S corporation must make an irrevocable election either to claim the credit or to pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to the Arizona Form 120S.

Lines 8 through 10 -

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 8 through 10.

S corporations must complete Form 347, Parts I through III. The S corporation must complete Part III, lines 8 through 10, separately for each shareholder. Each shareholder may claim only a pro rata share of the credit based on the shareholder's ownership interest in the S corporation. The S corporation must furnish each shareholder with a copy of pages 1 and 2.

Each shareholder must complete Parts V and VI of Form 347.

Part IV - Partner's Share of Credit

Lines 11 through 13 -

Partnerships must complete Form 347, Parts I and II. Then complete Part IV, lines 11 through 13, separately for each partner. Each partner may claim only a pro rata share of the credit based on the partner's ownership interest in the partnership. The partnership must furnish each partner with a copy of pages 1 and 2 of Form 347.

Each partner must complete Parts V and VI.

Part V - Available Credit Carryover

Lines 14 through 17 -

Note: Since 2012 is the first year for this credit, there can be no carryover from a prior year. For the 2012 taxable year, do not enter any amount on lines 14 through 17.

- In column (b), enter the credit originally computed for the taxable year listed in column (a).
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- Subtract the amount in column (c) from the amount in column (b) and enter the difference in column (d).
- Add the amounts entered on lines 14 through 16 in column (d).

Enter the total on line 17, column (d).

Part VI - Total Available Credit

Line 18 -

Individuals, corporations, or S corporations claiming the credit, enter the amount from Part II, line 6.

S corporation shareholders, enter the amount from Part III, line 10.

Partners of a partnership, enter the amount from Part IV, line 13.

Line 19 -

Enter the amount from Part V, line 17, column (d). For 2012, this amount is zero.

Line 20 -

Add lines 18 and 19. Enter the total.

Corporations, also enter the total available credit on Arizona Form 300, Part I, line 22.

Individuals, also enter the total available credit on Arizona Form 301, Part I, line 28.