



**Michael Ricco, Quality Manager, AEEC
on behalf of the
U.S. Women's Chamber of Commerce**

**Before the House Small Business Committee
Subcommittee on Economic Growth, Tax and Capital Access
for the Hearing
"Lip Service, But Little Else: Failure of the Small Business Health
Insurance Tax Credit"
Wednesday, March 22, 2016, at 10:00 a.m.
Rayburn House Office Building, Room 2360**

Good morning Chairman Huelskamp, Ranking Member Chu, and other Subcommittee members. Thank you for this opportunity to provide testimony before the Subcommittee on Economic Growth, Tax and Capital Access.

I am Michael Ricco, Quality Manager for AEEC – a women- and minority-owned small business located in Reston, VA. Our President – Sangita Patil – wishes she could be here in person, but she had a conflict. AEEC is an award-winning professional services organization offering top-quality technology, environmental, and engineering solutions to US Federal Government and Fortune 50 customers since 1995. We support our customers' requirements and offer a range of customized solutions with the highest degree of honesty, integrity, and service excellence. We offer solutions that are efficient, appropriate and worthy of the investment. Our company is also a member of the U.S. Women's Chamber of Commerce.

While I would like to testify today that my company has been able to benefit from the Small Business Health Care Tax Credit, that is unfortunately not the case because we are ineligible for the following reasons. First, we are ineligible because we have more than 25 employees. As this Subcommittee is well aware, there are many differing definitions of what a "small business" is – ranging from 50 to 100 to even 500 employees. The size standard for companies to use this health care tax credit is on the woefully low side and should be increased so that many more legitimate small businesses can take advantage of this tax credit.

Second, we are an IT company and as such our employees tend to earn higher salaries than many other employees working in small businesses nationwide. Therefore, we do not qualify because our workers on average make more than the \$50,000 cap as stated in the implementation language governing this credit. We question the fairness of this cap because, in essence, it punishes our company for paying our employees a higher wage. This limitation, in our view, should be removed from the eligibility requirements of this tax credit.

Why do I say these changes could be made? Because AEEC would very much like to use this credit. Receiving a tax credit for up to 50 percent of our health care costs would certainly help us reduce costs. We all know and as pointed out in the GAO report, “plans for small employers are likely to have higher premiums, less coverage and higher costs than plans for large employers.” Yet we, as a small business, want to do the right thing and provide health care coverage for our hard-working employees. AEEC has long provided health coverage to all of our employees and we go far beyond the minimum coverage now required by the Affordable Care Act. Our package would fall into the platinum or high-level gold range. So expanding the tax credit would go a long way to help us pay for these premium increases and cover our additional compliance and reporting requirements.

Here is something else to consider. The expectations that would-be employees have for benefits coverage get higher with salary levels. For example, a cashier at McDonald’s is going to be thrilled with any health care coverage while a Senior Data Architect expects a platinum health. So small businesses like ours are among the most in need for a tax credit.

Finally I would like to stress that while the ACA very much helped very small businesses with subsidies and large businesses benefit from large pools that keep their costs down, it is the small businesses in middle – particularly those between 50-100 employees – that could benefit the most from this health care tax credit. Therefore, I would ask this Subcommittee to consider making changes to this credit so that more small businesses that are so critical to our nation’s economy can be better able financially to pay these health care costs.

Two changes I already mentioned – increasing the eligibility threshold for number of employees that work at a small business and removing the wage barrier that excludes so many small businesses from eligibility. Two other reforms that we would recommend are increasing the credit so that it is more cost effective for small businesses to actually use it and to make it last longer than two consecutive tax years.

Again, thank you for this opportunity to address this Subcommittee. AEEC is dedicated to providing our employees with the best health care coverage possible. Yet the fact remains that we are still a small business and these costs are quite high. We would urge this Subcommittee to put forth language that would make this important health care tax credit more accessible to the small businesses in our nation that I would like to point out, on average, account for over 60 percent of all net new jobs created in this country.

I would be happy to answer any of your questions.