



---

**Subject: COBRA SUBSIDY EXTENSION/TAX CREDITS**

President Obama signed legislation on December 19, 2009 which extended the “Cobra premium assistance” benefits which have subsidized health insurance costs for laid-off workers since first enacted in February of 2009. This PayDay is an “executive summary” of the recently revised Cobra subsidy laws.

**What are the major revisions?**

- ✓ The original 65% Cobra subsidy period lasted for 9 months. Under the revised law, an eligible employee can receive the Cobra premium subsidy for 15 months; and
- ✓ The original Cobra subsidy applied to employees who were involuntarily terminated from September 1, 2008 – December 31, 2009. The revised law extends the latter termination date to February 28, 2010.

**Who does this apply to?**

**The Cobra subsidy program and the extended benefits apply to all employers providing health plans except:**

- ✓ “Small employer plans”, which are those employers who normally employ less than 20 employees; and
- ✓ Church plans (churches and certain affiliated ministries of the church)

**Notice Requirements**

Employers who are subject to Cobra and who have laid off workers are required to send out notices to former employees about the extended Cobra subsidy program. The required notifications must be sent no later than February 17, 2010. For more information about the notice requirements, contact the Department of Labor at 1-866-444-3272, or online at [www.dol.gov/cobra](http://www.dol.gov/cobra). Also be advised that Congress is currently debating further extensions of the Cobra subsidy program.

### **What did the original law say?**

You can read AccuPay's PayDay dated March 3, 2009, which discussed provisions of the original Cobra subsidy law. Go to [www.accupay.com](http://www.accupay.com), click on "PayDay Email's"; and you will find our original PayDay article on this topic.

### **What Information Does AccuPay Need?**

As before, we need the dollar amounts of the 65% subsidy you are paying for former employees so that we can claim tax credits against your Form 941 tax deposits. Tax credits on your Form 941 is the only way in which employers can recover the Cobra subsidy they pay.

**As always, call AccuPay at 885-7600 with your questions or comments.**

PayDay is an email communication of payroll news, legal updates and tax considerations intended to inform clients and colleagues of AccuPay about current payroll issues and planning techniques. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.