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## EXPANDED COBRA BENEFITS AND SUBSIDY

The recent "Stimulus Package" formally titled the American Recovery and Reinvestment Act of 2009 adds new requirements relating to COBRA continuation coverage for employees terminated involuntarily on or after September 1, 2008. A brief summary of the important issues being addressed by the new legislation is provided below.

\* Effective March 1, 2009, employers are required to cover 65% of the cost of COBRA coverage for involuntarily terminated employees. Employers may recover the cost of subsidizing the COBRA coverage via a credit on their payroll tax returns.

\* Individuals at certain income levels will be required to repay the COBRA subsidy through increased income tax liability. Such individuals may elect to permanently waive the subsidy in order to avoid this tax.

\* As an additional option, at the time of COBRA election coverage employers may allow individuals to enroll in qualifying health coverage different than the coverage in which they were enrolled at the time of the terminating event.

\* Those who have lost their job prior to the enactment of the legislation and who did not elect COBRA coverage have the right to make a special election during a specified period commencing February 17, 2009. Although the details have yet to be addressed, plan administrators will likely be required to provide appropriate notice to qualifying individuals regarding this special election option and period.

\* With these new obligations and rights, revised notices must be provided by plan administrators regarding the COBRA subsidy and option to enroll in different coverage. Model notices from the US Department of Labor should be available within 30 days.

Details on the new COBRA provisions are provided by the US Department of Labor at: <http://www.dol.gov/ebsa/cobra.html>

Also, the Internal Revenue Service released recent guidance (February 26) to assist employers in administering the new COBRA requirement. The IRS guidance includes a FAQ section and a revised Employer's Quarterly Federal Tax Return (Form 941). Employers will use the revised Form 941 to claim the COBRA tax credit. The IRS guidance is available online at: <http://www.irs.gov/newsroom/article/0,,id=204505,00.html>

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Labels: [American Recovery and Reinvestment Act of 2009](#), [Cobra Benefits](#), [Stimulus](#)