

COBRA Subsidy Update:

As I'm sure you are aware by now, the recent passage of the American Recovery and Reinvestment Act (ARRA) included legislation concerning a COBRA subsidy program. Under this program, employees that are involuntarily terminated between 9/1/08 and 12/31/09 could be eligible for a reduction in their COBRA premiums to 35% of the non-subsidized premium. The remaining 65% is paid by the employer and can be taken as a tax credit on the quarterly 941 report.

To claim this deduction on the quarterly 941 report, employers are required to maintain certain documentation:

1. A copy of the invoice or supporting documentation from the insurance carrier showing the timely payment of the full premium to the carrier.
2. Attestation of the involuntary termination including the date of termination and the basis for the determination of eligibility for the subsidy.
3. SSNs for the covered employees along with the subsidy amount reimbursed for each employee.
4. Proof of an employee's eligibility for COBRA during the period of 9/1/08 to 12/31/09 and their election of COBRA.

The COBRA subsidy deduction on the 941 is only allowed for paid premiums, so maintain supporting documentation to substantiate any deductions claimed.

Additional information concerning the COBRA subsidy, FAQ's and model employee COBRA subsidy notices can be found at www.dol.gov/ebsa/COBRA.html.

Regards,

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Your Staffing Specialist

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Always seek guidance from an expert before taking any action based on the information provided in this newsletter.



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