Anquillare, Ruocco, Traester and Company
Certified Public Accountants and Consultants
98 Elm Street, P.O. Box 308, West Haven, CT 06516
203-932-2931/ Fax: 203-932-9962
www.artcpas.com

New COBRA benefits in stimulus package
March 2009

The American Recovery and Reinvestment Act of 2009 calls for changes to the health benefit provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, commonly referred to as COBRA. The new law affects former employees and their families, employers and others involved in providing COBRA coverage.

Under the new law, eligible former employees enrolled in their employer's health plan at the time they lost their jobs, are required to pay only 35 percent of the cost of COBRA coverage. Employers must treat the 35 percent payment by eligible former employees as full payment, but employers are entitled to a credit for the other 65 percent of the COBRA cost on their payroll tax return.

Employers must maintain supporting documentation for the credit claimed. This includes:

- Documentation of receipt of the employee's 35 percent share of the premium.
- In the case of insured plans: A copy of invoice or other supporting statement from the insurance carrier and proof of timely payment of the full premium to the insurance carrier.
- Declaration of the former employee's involuntary termination.

COBRA provides certain former employees, retirees, spouses, former spouses and dependent children the right to temporary continuation of health coverage at group rates. COBRA generally covers health plans maintained by private-sector employers with 20 or more full and part-time employees. It also covers employee organizations or federal, state or local governments. It does not apply to churches and certain religious organizations. The new COBRA subsidy provisions also apply to insurers required to offer continuation coverage under state law similar to the federal COBRA.

To qualify, a worker must have been involuntarily separated between September 1, 2008 and December 31, 2009. Workers who had lost their jobs between September 1, 2008 and February 17, 2009, but failed to initially elect COBRA because it was unaffordable, will be given an additional 60 days to elect COBRA and receive the subsidy.

This subsidy phases out for individuals whose modified adjusted gross income exceeds $125,000, or $250,000 for those filing joint returns. Taxpayers with modified adjusted gross income exceeding $145,000, or $290,000 for those filing joint returns, do not qualify for the subsidy.

If you have questions, please contact Vincent Ruocco, LLC, CPA at 203.932.2931.

~~~~~~~~~~~~~~~~~~~~~~~~~~
~~~~~~~~~~~~~~~~~~~~~~~~~~