

CHOREY, TAYLOR & FEIL BULLETIN:

NEW PREMIUM SUBSIDY FOR COBRA CONTINUATION COVERAGE INCLUDED IN THE STIMULATION PACKAGE
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The American Recovery and Reinvestment Act of 2009 (the "Act") was signed into law by President Obama on February 17, 2009. One of the things included in the Act was assistance for individuals who have recently lost their jobs, which is accomplished by changing the amount that people are required to pay to maintain health care coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). In order to qualify for this new benefit, an employee must be involuntarily terminated between September 1, 2008 and December 31, 2009 (in other words, certain terminations for cause do not qualify). An eligible individual who elects to continue health care coverage under COBRA will be required to pay just 35% of the monthly premium cost, leaving the employer with the responsibility to pay a 65% subsidy amount on

a monthly basis. The subsidy lasts for nine months. The good news for employers is that they will be entitled to be reimbursed for the subsidy by taking a credit against their quarterly payroll taxes.

The full 65% subsidy is available to individuals with adjusted gross income of \$125,000 or less (\$250,000 or less for joint filers). Individuals with adjusted gross income between \$125,000 and \$145,000 (or between \$250,000 and \$290,000 for joint filers) will have a reduced subsidy. Beyond adjusted gross income of \$145,000 for individuals (\$290,000 for joint filers), there is no subsidy. Anyone receiving the subsidy whose actual income exceeds the thresholds, will be required to repay the subsidy through with an increased income tax liability.

There are many other intricacies in the Act related to the premium subsidy for COBRA continuation coverage. Employers and/or affected individuals should contact their attorneys or accountants.

Tom McLain is a Shareholder of CTF and Tom can be reached at Tmclain@ctflegal.com. We hope this Bulletin was useful to you.