

# THE INSIDE PERSPECTIVE

LABOR AND EMPLOYMENT LAW SOLUTIONS FOR EXECUTIVES AND HR PROFESSIONALS



SMITH MOORE  
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## New Federal Stimulus Act: COBRA Premium Subsidy

The 2009 Recovery Act, which became law on February 17, 2009, provides for up to 9-months of reduced COBRA costs for employees (and their qualified dependents) whose employment was involuntarily terminated between September 1, 2008 and December 31, 2009.

- Eligible individuals need only pay 35% of the normal COBRA costs for the 9-month period.
- Single individuals with adjusted gross income over \$125,000 (or married persons filing jointly with AGI exceeding \$250,000) are not eligible.
- The employer must initially pay the remaining 65% of COBRA cost but is reimbursed with a credit against federal payroll taxes (withholding and FICA).
- Employees involuntarily terminated after August 31, 2008, but prior to the effective date, who did not elect COBRA are given an extra 60 days to elect COBRA and receive this subsidy.
- COBRA notices must refer to the availability of this new subsidy, and within 60 days of enactment of this law, the group health plan must also notify anyone who already elected COBRA and may be eligible for this subsidy, as well as individuals who did not elect but have the extra 60 days to elect.
- Within 30 days of February 17, the Department of Labor and IRS will provide model notices. Employers may either modify existing notice forms or include additional information with their current COBRA notices.

# TIP

The New Federal Stimulus Act provides COBRA premium subsidy for involuntarily terminated employees and imposes new COBRA notice requirements. Watch for the new forms, and be sure to update your COBRA notices.



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