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MEMORANDUM

TO: Our Clients and Friends

FROM: McQuadeBrennan, LLP

DATE: February 9, 2010

RE: COBRA Benefits Extended

The Department of Defense Appropriations Act enacted on December 19, 2009, includes a provision to extend both the eligibility period and the maximum duration of COBRA premium assistance for employees who lose their jobs as a result of involuntary termination. Employers should be aware that employees involuntarily terminated between January 1, 2010 and February 28, 2010 are entitled to a 65% employer provided premium reduction on their COBRA health insurance. In addition, the maximum coverage period is extended from 9 months to 15 months. The subsidy eligibility period was originally scheduled to expire at the end of 2009 under the American Recovery and Reinvestment Act (ARRA).

The federal government will continue to subsidize the 65% employer-provided premium reduction in the form of a credit on the employer's payroll tax return. In order to be properly reimbursed, employers must claim a credit for the subsidy on their Form 941, Form 944, or Form 943. Employers are required to maintain documentation to support a credit claim.

Employers must notify any assistance-eligible individuals of the extension by February 17, 2010. For assistance-eligible individuals whose nine month extension period has ended, the new law provides an extended period for the retroactive payment of their 35 percent share during a transition period. Income phase-outs also apply.

More information on continued health insurance and eligible individuals can be found at IRS.gov.