

COBRA Subsidy Extended Through May 31, 2010



Under the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), employers are required to offer terminated employees the option of receiving continued health insurance benefits through the company's group health insurance policy. Historically, employees paid the entire premium amount for the extended coverage. A provision in the American Recovery and Reinvestment Act of 2009 (the "Stimulus Bill") passed in February 2009 introduced a government subsidy to reduce the amount of the premiums paid by terminated employees who opted to exercise their COBRA rights.

Under the Stimulus Bill, the terminated employee paid 35% of the premium and the employer paid the remaining premium. Employers then receive a credit on their quarterly payroll tax returns to recoup the 65% that they had paid. The bill offered the subsidy to anyone terminated from September 1, 2008 until December 31, 2009 and allowed terminated employees to receive the premium subsidy for up to 9 months.

Subsequent legislation in 2009-10 extended this subsidy multiple times, with the most recent extension applying to employees losing their jobs prior to May 31, 2010. Furthermore, the subsidy was extended from 9 to 15 months.

Summary of COBRA Extension

- Eligibility extended to employees who lose their jobs through February 28, 2010
- Subsidy period extended from 9 to 15 months

Although there had been some discussion about extending the maximum period of COBRA eligibility from 18 to 24 months, there was no change to the current rule that employers do not need to offer COBRA benefits for longer than 18 months. Employers need to be sure they are providing proper notice to terminated employees about COBRA benefits and premium payments that contain the updated eligibility periods.

These tax incentives and subsidies can be complicated based on individual situations and we recommend that you contact Dan Burzynski from our tax department at 414-271-3966 or dburzynski@komisarbrady.com if you have questions about your specific situation. Additionally, the IRS has Q&A information on its [website](#).