

# FNA Information Update

For Immediate Release

February 26, 2009

With the recent COBRA changes that took effect under the American Recovery Reinvestment Act that was signed into law by President Obama, many questions have come up regarding how this will impact your clients. The Internal Revenue Service today released new detailed information that will help employers claim credit for the COBRA medical premiums they pay for their former employees. Below are some important details and links to necessary forms and websites which can also be found on the FNA website. Here is a link to a very informative *Question and Answer* list that was released that you can download for future use. We think you will find this very informative. It is our goal to continue to inform you as these updates are released. - *First National Administrators*

*IR-2009-15, Feb. 26, 2009*

WASHINGTON — The Internal Revenue Service today released new ***detailed information*** that will help employers claim credit for the COBRA medical premiums they pay for their former employees.

The IRS unveiled new information on this Web site, IRS.gov, that includes an extensive set of ***questions and answers*** for employers. In addition, the Web site contains a revised version of the quarterly payroll tax return that employers will use to claim credit for the COBRA medical premiums they pay for their former employees.

***Form 941***, Employer's Quarterly Federal Tax Return, will also be sent to about 2 million employers in mid-March. The form is used to claim the new COBRA premium assistance payments credit, beginning with the first quarter of 2009.

"This is the first step in our effort to provide employers with information on this important health benefit for people who have lost their jobs," said IRS Commissioner Doug Shulman. "We will continue our work in the weeks ahead to help employers implement this crucial change for the nation's unemployed."

The American Recovery and Reinvestment Act of 2009, which became law last week, includes changes to the health benefit provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, commonly referred to as COBRA. The new law will affect 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 the 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.

More information about COBRA payments and the new law is available on [www.dol.gov](http://www.dol.gov).



For more information or to speak with your FNA Representative, please call 516.352.7000 or 973.257.5558