



March 23, 2009

Re: American Recovery and Reinvestment Act of 2009 (ARRA)

Dear Valued Client:

The American Recovery and Reinvestment Act of 2009 (ARRA), also known as the "Economic Stimulus Act", was signed into law by President Obama on February 17, 2009.

One provision of the Recovery Act provides for a temporary 65% federal COBRA subsidy for up to nine months for any employee who experiences an involuntary termination of employment between September 1, 2008 and December 31, 2009.

While the term COBRA is technically a federal program that affects companies with twenty or more employees, we believe this subsidy will be available to all individuals who are eligible for continued coverage because of an involuntary termination. The Department of Labor indicates that this determination will come from each state, and we are awaiting further information.

If you are an employer subject to federal COBRA or similar state law requirements, you may be required to accept a 35% premium payment from certain participants eligible under ARRA as payment in full for their monthly premium. Employers must pay the remaining 65% of the premium on behalf of COBRA participants.

Employers may then recover the subsidy provided to eligible individuals by taking the 65% subsidy amount as a credit on the Employer's Quarterly Federal Tax Return (Form 941) on Lines 12a and 12b.

In efforts to assist you as our valued client, USA Payroll will have the new Form 941 in place for the first quarter of 2009 filing. In order for us to accurately complete this form for you, we are asking for your assistance to please fill out the enclosed document and returned to your Payroll Specialist no later than April 1, 2009 for first quarter processing.

Eligibility

- Involuntary termination for reasons other than misconduct between September 1, 2008 and December 31, 2009
- Income limits of \$145,000 for individual income tax returns (\$295,000 joint)
- Maximum nine months of subsidy payments for premiums beginning March 1, 2009

Payment Procedures

Employers with 20 or more employees: The employer pays up to 65 percent of the premium in exchange for an equal credit toward payroll taxes due.

Employers with less than 20 employees: The Department of Labor indicates that this determination will come from each state, and we are awaiting further information.

Repayment Requirements

The amount of an individual's subsidy repayment is based on his/her income in the year he/she used the subsidy.

- Single filer up to \$125,000 income (\$250,000 joint): **No repayment required**
- Single filer \$125,000 to \$145,000 income (\$250,000 - \$290,000 joint): **Amount TBD**
- Single filer over \$145,000 income (\$290,000 joint): **Entire subsidy repayment required**

An individual who expects to meet or exceed the income limits may elect to decline the subsidy and pay the entire COBRA premium.

Retroactive Eligibility

If an individual pays the entire premium during the initial months of the subsidy program, the employer or insurer will reimburse the individual for up to 65 percent of the premium or provide a credit toward future premium payments.

Switching Health Plans

The Act allows but doesn't require employers to offer COBRA-eligible individuals the chance to switch to another health plan offered by the company. If individuals are allowed to switch health plans, they must choose coverage that is offered to active employees and is not more expensive than the previous coverage.

Employer Requirements

- Notifications about the subsidy to COBRA-eligible and subsidy-eligible former employees by April 18, 2009
- Offer former eligible employees a 60-day window to apply for COBRA if they previously declined
- Offer former eligible employees a 60-day window to re-apply for COBRA if they ceased payments

Disclosure

All statements contained in this fact sheet are for informational purposes only and should not be viewed as labor law, income tax, or legal advice. For additional information specific to your business, we encourage you to consult with your attorney and/or accountant.

For More Information

Internal Revenue Service Web site: <http://www.irs.gov/newsroom/article/0,,id=204505,00.html>

U.S. Department of Labor Web site: <http://www.dol.gov/ebsa/cobra.html>

Sincerely,



Ralph Fornuto, President

USA Payroll



Economic Stimulus Act: COBRA Subsidy Information Sheet

Client Name _____ **USA Payroll Client ID Number** _____

1. Participant Name _____ Social Security Number ____ - ____ - ____
*COBRA Premium Assistance Payment \$ _____ **EE Portion of COBRA Payment \$ _____

2. Participant Name _____ Social Security Number ____ - ____ - ____
*COBRA Premium Assistance Payment \$ _____ **EE Portion of COBRA Payment \$ _____

3. Participant Name _____ Social Security Number ____ - ____ - ____
*COBRA Premium Assistance Payment \$ _____ **EE Portion of COBRA Payment \$ _____

4. Participant Name _____ Social Security Number ____ - ____ - ____
*COBRA Premium Assistance Payment \$ _____ **EE Portion of COBRA Payment \$ _____

5. Participant Name _____ Social Security Number ____ - ____ - ____
*COBRA Premium Assistance Payment \$ _____ **EE Portion of COBRA Payment \$ _____

6. Participant Name _____ Social Security Number ____ - ____ - ____
*COBRA Premium Assistance Payment \$ _____ **EE Portion of COBRA Payment \$ _____

7. Participant Name _____ Social Security Number ____ - ____ - ____
*COBRA Premium Assistance Payment \$ _____ **EE Portion of COBRA Payment \$ _____

8. Participant Name _____ Social Security Number ____ - ____ - ____
*COBRA Premium Assistance Payment \$ _____ **EE Portion of COBRA Payment \$ _____

9. Participant Name _____ Social Security Number ____ - ____ - ____
*COBRA Premium Assistance Payment \$ _____ **EE Portion of COBRA Payment \$ _____

10. Participant Name _____ Social Security Number ____ - ____ - ____
*COBRA Premium Assistance Payment \$ _____ **EE Portion of COBRA Payment \$ _____



**This amount should be 65% of total COBRA premium for assistance-eligible individuals.*

***This amount should be 35% of total COBRA premium for assistance-eligible individuals.*

Total Number of Participants: _____ Coverage Date Range: _____ to _____

Total COBRA Premium Assistance Paid on Their Behalf: \$ _____

Total EE Portion of COBRA Payment: \$ _____

I certify that the information contained above is accurate and I have made these payments on behalf of the participants listed.

Authorized Client Signature: _____

Date: _____

For USA Payroll Use:

Manager/Supervisor Signature _____

Date: _____