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December 23, 2009

Client Alert – The American Recovery and Reinvestment Act of 2009

Dear Client:

On December 19, 2009, President Obama signed legislation extending the COBRA subsidy benefit which was part of the federal stimulus package passed earlier in the year. Under the subsidy, eligible persons pay 35% of the COBRA premium and employers pay the remaining 65%. The employers then get a credit for their 65% share against payroll and federal income taxes.

The benefit extension has several components. First, the group of persons qualifying as assistance eligible individuals is expanded to include any qualified beneficiary who is eligible for and elects COBRA as a result of an involuntary termination, other than for gross misconduct, occurring between September 1, 2008 and February 28, 2010. Previously, the termination had to have occurred by December 31, 2009.

The subsidy benefit period has also been extended from nine months to fifteen months. Thus, if someone is receiving COBRA as a result of his/her involuntary termination occurring between September 1, 2009 and February 28, 2010, he/she now can receive up to fifteen months of the COBRA subsidy.

If you need assistance with ensuring your company becomes compliant with these new COBRA requirements or have any questions about these issues, please contact us.

Sincerely,

Angela L. Thomas

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The information herein reflects the views of the author. The information should be construed as general guidelines and not interpreted as legal advice.

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