Rembolt Ludtke

Coach Obama is Calling the Plays: Impacts of the Stimulus Package on the Workplace (Employment Law and Planning)

Sarah Pillen

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Stimulus Package

- *
- The American Recovery and Reinvestment Act of 2009
- Effective March 1, 2009
- Significant Changes to COBRA continuation coverage
- Economic tailspin and Obama administration

COBRA (Background)

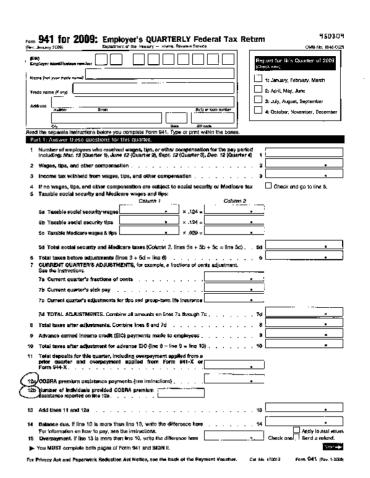
- Effective 1986
- Gives employees the right to choose to temporarily keep group health insurance benefits lost due to:
 - Reduction in hours
 - Resignation
 - Termination
- Applies to employer of 20 or more employees who offer a regular group medical plan
- Allowed to keep coverage for up to 18 months by paying the <u>full cost</u> of coverage

COBRA (Changes)

- N N
- Employers pay 65% of the insurance premium upfront
- Employees pay the remaining 35%
- Employers deduct the cost from their payroll taxes
- Applies to all <u>involuntarily</u> terminated employees
- Retroactive to September 1, 2008 through December 31, 2009
- 9 months of available coverage
- Applies to employees who made less than \$125,000
- 60 days to reconsider

Employer Obligations

- Identify all employees terminated from September 1, 2007, to present
- Provide notice about premium reduction to all eligible individuals
- Take the offset on Form 941



"Making Work Pay" Tax Credit

- Revised withholding tables for federal taxes from employees
- The credit amounts to 6.2% of earned income
 - Up to \$400 for single taxpayers
 - Up to \$800 for married taxpayers
- Revised withholding tables must be built into payroll systems no later than April 1
- Employees do not need to complete a new W-4
- Phased out for a married couple with gross income over \$150,000
- Phased out for single with gross income over \$75,000
- See Publication 15-T

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