



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

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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 full cost of coverage

COBRA (Changes)



- Employers pay 65% of the insurance premium upfront
- Employees pay the remaining 35%
- Employers deduct the cost from their payroll taxes
- Applies to all involuntarily 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

Form 941 for 2009: Employer's QUARTERLY Federal Tax Return 950109
Rev. January 2009 Department of the Treasury — Internal Revenue Service OMB No. 1545-0047

Employer identification number

Name (not your firm's name)

Taxpayer name (if any)

Address

City **State** **ZIP code**

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), Dec. 12 (Quarter 4) 1

2 Wages, tips, and other compensation 2

3 Income tax withheld from wages, tips, and other compensation 3

4 If no wages, tips, and other compensation are subject to social security or Medicare tax ☐ Check and go to line 8.

5 Taxable social security and Medicare wages and tips

Column 1	Column 2
5a Taxable social security wages × .124 = 	
5b Taxable social security tips × .124 = 	
5c Taxable Medicare wages & tips × .029 = 	
5d Total social security and Medicare taxes (Column 1, lines 5a + 5b + 5c = line 5d) 5d 	
6 Total taxes before adjustments (line 5 + 5d = line 6) 6 	

7 **CURRENT QUARTER'S ADJUSTMENTS**, for example, a fraction of cents adjustment. See the instructions.

7a Current quarter's fractions of cents

7b Current quarter's sick pay

7c Current quarter's adjustments for tips and group-term life insurance

7d **TOTAL ADJUSTMENTS**. Combine all amounts on lines 7a through 7c. 7d

8 Total taxes after adjustments. Combine lines 6 and 7d 8

9 Advance earned income credit (EIC) payments made to employees 9

10 Total taxes after adjustment for advance EIC (line 8 - line 9 = line 10) 10

11 Total deposits for this quarter, including overpayment applied from a prior quarter and overpayment applied from Form 941-X or Form 944-X

12a **COBRA premium assistance payments** (see instructions)

12b Number of individuals provided COBRA premium assistance reported on line 12a

13 Add lines 11 and 12a 13

14 Balance due. If line 10 is more than line 13, write the difference here. For information on how to pay, see the instructions. 14

15 Overpayment. If line 13 is more than line 10, write the difference here. 15

☐ Check one: ☐ Apply to next return. ☐ Send a refund.

You MUST complete both pages of Form 941 and SIGN it.

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. OMB No. 1545-0047 Form 941 (Rev. 1-2009)

"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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