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## About Mitchell Williams

Providing strategic counsel on a variety of sophisticated legal matters for 55 years, the attorneys of Mitchell Williams bring together decades of diverse professional experience and extensive relationships to offer clients in Arkansas and across the United States the most comprehensive services and solutions possible.

As progressive leaders in the legal community, we work as advocates and partners to help companies meet the complex business needs required to succeed in today's challenging economic climate. The firm employs 76 attorneys from offices in Arkansas, Texas, and New York. Visit MitchellWilliamsLaw.com to learn more.

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### **The IRS has provided guidance on taking an employment tax credit equal to the 65% COBRA subsidy paid on behalf of a former employee who is receiving a COBRA subsidy.**

**Under the American Recovery and Reinvestment Act of 2009**, certain individuals who are eligible for COBRA continuation health coverage, or similar coverage under state law, may receive a subsidy for 65 percent of the premium. These individuals are required to pay only 35 percent of the premium. The employer may recover the subsidy provided to assistance eligible individuals by taking the subsidy amount as a credit on its quarterly employment tax return. The employer may provide the subsidy — and take the credit on its employment tax return — only after it has received the 35 percent premium payment from the individual.

- The COBRA subsidy amount is reimbursed by being claimed as a credit on IRS Form 941 Employer's QUARTERLY Federal Tax Return. Form 941 has been revised to allow for this credit.
- Employers receiving a 35% COBRA premium payment in 2010 for subsidized COBRA coverage provided in 2009 must take a payroll tax credit in 2010, not 2009.
- The premium subsidy is not included in income for federal tax purposes. However, its treatment for state income tax purposes is determined under state law and depends on the taxlaw of the particular state.

Visit the IRS website for more information :  
<http://www.irs.gov/newsroom/article/0,,id=205373,00.html>