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Criser, Gough, & Parrish

## Small Business Alert

*Stephen M. Criser — Laura B. Parrish — Greg R. Gough*

### *Employer Obligations for COBRA Premium Subsidy*

Certain laid-off workers are entitled to a 65% COBRA health insurance premium subsidy for up to 9 months. As with ordinary COBRA premiums, the employer does not pay the subsidy but the employer is responsible for administering the COBRA coverage, which is a significant challenge particularly if your company has laid off employees or has plans to do so.

Even if your company does not have to comply with federal COBRA law because it has fewer than 20 employees, it must comply with the COBRA subsidy if it is covered by a COBRA-type state law.

As you know, COBRA is a federal law that provides that former employees and their families may retain their health insurance coverage, generally for up to 18 months after losing a job. The former employee must pay the full premium, which can be very expensive.

Under the subsidy program, the federal government will help pay for the COBRA benefit of any individual who is involuntarily terminated between September 1, 2008, and December 31, 2009, and whose income in the year of the subsidy does not exceed certain limits. These individuals pay just 35% of the premium to the company as the plan sponsor. The company will be reimbursed by the federal government for the

remainder of the premium by a credit against the company's payroll taxes.

If an employee was laid off after September 1, 2008, and declined COBRA coverage, the company must give that employee another chance to elect coverage.

Your company must notify all COBRA-eligible individuals of the subsidy and ordinary COBRA benefits.

Please contact our office to discuss how to implement the subsidy program.

(Bureau of National Affairs, 2/23/09)

### *Tax Facts*

The Constitution, adopted in 1789, finally allowed the US government to levy taxes. They slapped a tax on “distilled spirits, tobacco and snuff, refined sugar, carriages, property sold at auctions, and various legal documents” to pay for the Revolution.

The Whiskey Rebellion taught President Washington that it was risky to impose a largely unenforceable tax on whiskey.

(consumerist.com)

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## *Businesses and the Stimulus Law*

Businesses receive several goodies in the stimulus law:

- 50% bonus first-year depreciation is retained for assets bought this year.
- Ditto for the \$250,000 ceiling on expensing assets...continues through 2009. And full expensing remains available until \$800,000 of assets are placed in service.
- Small firms can carry back 2008 losses for five tax years instead of two. Their average annual gross receipts for 2006-2008 must be \$15 million or less.
- The work opportunity credit is expanded to cover two new sets of workers hired in 2009 and 2010: Unemployed veterans and unemployed youths age 16 to 25.

- Renewable energy credits are extended. The wind credit runs through 2012. Credits for solar, geothermal, biomass landfill gas and others remain through 2013.
- Firms get a 30% credit for investing in advanced renewable energy facilities.
- 3% withholding on government contractors is delayed a year...until 2012.

(The Kiplinger Tax Letter)

Pursuant to federal regulations imposed on practitioners who render tax advice ("Circular 230"), we are required to advise you that any tax advice contained herein is not intended or written to be used for the purpose of avoiding tax penalties that may be imposed by the IRS.

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