

# *Legal Update*

March 2010

## **BREAKING NEWS: COBRA Subsidy Extended Again**

*By: Orley Moskovits Desser*

The American Recovery and Reinvestment Act of 2009 (Act), as originally enacted, provided a 65% subsidy for COBRA (and some state continuation coverage) premiums for employees whose employment was involuntarily terminated between September 1, 2008 and December 31, 2009. The subsidy also applied to a qualifying employee's eligible dependents. Under the Act, a qualifying terminated employee electing COBRA coverage only had to pay 35% of what the employee's COBRA premium would have been for up to a nine-month period. Employers, meanwhile, have had to pay the remaining 65% of the premium, but have been able to file a claim with the U.S. Treasury Department to obtain a credit against their payroll taxes for the subsidy.

On December 19, 2009, Congress passed the Department of Defense Appropriations Act for Fiscal Year 2010, which not only extended the COBRA subsidy eligibility period, but also provided for an additional six months of the COBRA subsidy. Employees who involuntarily lost their jobs from September 1, 2008 through February 28, 2010 qualified for up to 15 months of the 65% subsidy on COBRA premiums.

On March 2, 2010, President Obama signed into law another COBRA subsidy extension (and also a law that extended federal unemployment benefits). This latest legislation extends the eligibility period -- now, employees who involuntarily lost their jobs from September 1, 2008 through March 31, 2010 may qualify for up to 15 months of the 65% subsidy on COBRA premiums. Legislation that would extend the premium subsidy to employees who involuntary lose their jobs at any time in 2010 is presently on table. Stay tuned...

---

*FVLD publishes updates on legal issues and summaries of legal topics for its clients and friends. They are merely informational and do not constitute legal advice. We welcome comments or questions. If we can be of assistance, please call or write, Jonathan Vegosen, 312.701.6850, [jvegosen@fvldlaw.com](mailto:jvegosen@fvldlaw.com), or Orley Moskovits Desser, 312.701.6873, [odesser@fvldlaw.com](mailto:odesser@fvldlaw.com) or your regular FVLD contact.*

Funkhouser Vegosen Liebman & Dunn Ltd.  
55 West Monroe Street - Suite 2300  
Chicago, Illinois 60603  
Main Telephone: 312.701.6800  
Facsimile: 312.701.6801  
[www.fvldlaw.com](http://www.fvldlaw.com)

FVLD®