

35765 Chester Road

Avon, OH 44011-1262

Direct: (440) 930-8075

Email: kmeans@wickenslaw.com

Main: (440) 930-8000

Fax: (440) 930-8098

Web: www.WickensLaw.com

---

**MEMORANDUM**

**To:** WHP Business Clients  
**From:** Kelly A. Means, Esq.  
**Subject:** Stimulus Act of 2009  
**Date:** March 16, 2009

The American Recovery & Reinvestment Tax Act of 2009 (the "Stimulus Act") was signed into law on February 17, 2009. The Stimulus Act establishes an employer-provided subsidy for employees who are involuntarily terminated between September 1, 2008 and December 31, 2009 (and any qualified beneficiary of such employee). The Stimulus Act is effective immediately and, therefore, it is imperative that employers understand how the Stimulus Act applies.

Under the Stimulus Act, employees who are involuntarily terminated are eligible for a 65% federal subsidy of their COBRA premiums for up to nine months or state continuation coverage premiums for up to six months. This subsidy is phased out for former employees whose income in the year they receive the subsidy exceeds \$125,000 (for individuals) and \$250,000 (for couples filing joint tax returns). Former employees who qualify for the subsidy will only be required to pay 35% of the continuation premium. The employer must initially pay the remaining 65% but will be reimbursed at a later date through a reduction in quarterly payroll taxes.

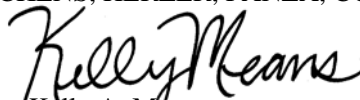
Former employees who are entitled to elect COBRA continuation coverage or similar state continuation coverage during the applicable time period must be provided specific notice by the employer. An employer may modify its regular continuation coverage election notice to include the information required by the Stimulus Act or provide the information in a separate, supplemental notice along with the regular notice.

Finally, with regard to employees who were involuntarily terminated between September 1, 2008 and February 17, 2009 and did not elect COBRA continuation coverage, employers must notify such former employees of an additional opportunity to elect COBRA and receive the subsidy. Former employees who qualify for this "extended election period" will have 60 days from the date they receive such notification to elect continuation coverage. This "extended election period" is available only to former employees eligible for continuation coverage under COBRA but not to former employees eligible for continuation coverage under state law.

If you have any questions regarding how the Stimulus Act will impact your COBRA or state continuation coverage obligations, please contact me directly at (440) 930-8075 or email me at kmeans@wickenslaw.com.

Sincerely,

WICKENS, HERZER, PANZA, COOK & BATISTA CO.

  
By: Kelly A. Means

KM/smb

---

**IRS CIRCULAR 230 DISCLOSURE**

To ensure compliance with the requirements imposed by IRS Circular 230, we inform you that any tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of (1) avoiding tax-related penalties under the Internal Revenue Code or (2) promoting, marketing or recommending to another party any tax-related matter(s) addressed herein.