



May/ June Newsletter

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### Small Business Health Care Tax Credit



Certain small businesses and tax-exempt organizations that provide health insurance coverage to their employees may qualify for a special tax credit in 2010, according to the Internal Revenue Service. Included in the recently enacted health care reform legislation, the Patient Protection and Affordable Care Act, is a

### COBRA Subsidy Extended Through May 31, 2010

The Continuing Extension Act of 2010 extends the deadline for terminated employees to qualify for the COBRA premium subsidy. Workers now terminated between September 1, 2008, and May 31, 2010 may be eligible for a 65% subsidy of their COBRA premiums. The premium reduction applies to periods of health coverage that began on or after February 17, 2009, and lasts for up to 15 months.



Employers should take note that a further extension of the premium reduction, possibly through the end of 2010, is expected. e3 Financial will provide updates on any extensions as they occur. The following are updated Model Notices with explanations from the DOL.

#### Updated Model Notices

ARRA, as amended by the Continuing Extension Act of 2010 (CEA), mandates that plans notify certain current and former participants and beneficiaries about the COBRA premium reduction.

The DOL created model notices to help plans and employers comply with these requirements. Each model notice is designed for a particular group of qualified beneficiaries and contains information to help satisfy ARRA's notice provisions, including those amended by CEA.

#### Model Updated General Notice

Plans subject to the Federal COBRA provisions must provide the updated [General Notice](#) to all qualified beneficiaries (not just covered employees) who experienced a qualifying event at any time from September 1, 2008 through May 31, 2010, regardless of the type of qualifying event, and who have not yet been provided an election notice. This model notice includes updated information on the premium reduction, as well as information required in a COBRA election notice.

**Note:** Individuals who experienced a qualifying event that was a termination of employment from April 1, 2010 through April 14, 2010 may not have been provided proper notice and must get the updated General Notice and receive the full 60 days from the date the updated notice is

tax credit designed to encourage small employers to offer health insurance coverage for the first time or maintain coverage they already have. The following are eligibility rules and the amount of credit as explained by the IRS.

## Eligibility Rules

**Providing health care coverage.** A qualifying employer must cover at least 50 percent of the cost of health care coverage for some of its workers based on the single rate.

**Firm size.** A qualifying employer must have less than the equivalent of 25 full-time workers (for example, an employer with fewer than 50 half-time workers may be eligible).

**Average annual wage.** A qualifying employer must pay average annual wages below \$50,000. Both taxable (for profit) and tax-exempt firms qualify.

## Amount of Credit

**Maximum Amount.** The credit is worth up to 35 percent of a small business' premium costs in 2010. On Jan. 1, 2014, this rate increases to 50 percent (35 percent for tax-exempt employers).

**Phase-out.** The credit phases out gradually for firms with average wages between \$25,000 and \$50,000 and for firms with the equivalent of between

provided to make a COBRA election. Those individuals who have been provided a notice that did not include information related to the most recent extension must also be provided this updated information. Depending on the specific circumstances, either the Supplemental Information Notice or the Notice of Extended Election Period may be used. See below for additional details.

### Model Notice of New Election Period

Plans subject to continuation coverage provisions under Federal or State law should provide, within 60 days of the date of the termination of employment, a [Notice of New Election Period](#) to all individuals who:

- Experienced a qualifying event that was a reduction in hours at any time from September 1, 2008 through May 31, 2010;
- Subsequently experience a termination of employment at any point from March 2, 2010 through May 31, 2010; and
- Either did not elect continuation coverage when it was first offered or elected but subsequently discontinued the coverage.

Generally, individuals who have experienced a qualifying event that consists of a reduction of hours and who, from March 2, 2010 through May 31, 2010, experience an involuntary termination of employment must be provided this notice within 60 days of the event. Additionally, CEA provides that for the April 1, 2010 through April 14, 2010 period, the notice requirement attaches to any termination of employment. The DOL strongly recommends that notice be provided to individuals who experienced any termination of employment because employers may be subject to civil penalties if it is later determined that the termination was involuntary and notice was not provided.

### Model Supplemental Information Notice

Plans that are subject to continuation coverage provisions under Federal or State law should provide the [Supplemental Information Notice](#) to all individuals who elected and maintained continuation coverage based on the following qualifying events:

- All qualifying events related to a termination of employment that occurred from March 1, 2010 through April 14, 2010 for which notice of the availability of the premium reduction available under ARRA was not given; or
- Reductions of hours that occurred during the period from September 1, 2008 through May 31, 2010 which were followed by a termination of the employee's employment that occurred on or after March 2, 2010 and by May 31, 2010.

For the first item above, plans must provide this notice to all individuals with a qualifying event related to any termination of employment if they have not already been provided notice of their rights under ARRA. This notice must be provided before the end of the required time period for providing a COBRA election notice. For the second item above, generally, individuals who experience an involuntary termination of employment from March 2, 2010 through May 31, 2010 after experiencing a qualifying event that consists of a reduction of hours must be provided this notice within 60 days of the termination of employment. However, as noted above, CEA

10 and 25 full-time workers.

### Three Simple Steps for Employers to Qualify

If you are a small employer (business or tax-exempt) that provides health insurance coverage to your employees, determine if you may qualify for the Small Business Health Care Tax Credit by following the three simple steps [featured here](#).

### Frequently Asked Questions

The IRS has issued 22 FAQs for employers on the Small Business Health Care Tax Credit, including the following topics:

- Employer eligibility
- Claiming the credit
- Determining average annual wages
- Calculating expenses
- Tax-exempt organizations
- Relief in 2010

To view this detailed FAQ page from the IRS, please [click here](#).

### Examples

The IRS has also provided several employer scenarios for the credit, including numbers of workers, part-time employees and non-profit groups. To view the scenarios, please [click here](#).

For additional information on the credit, please visit

requires plans to provide notices to all individuals with qualifying events related to any termination of employment that occurred from April 1, 2010 through April 14, 2010. In those cases, this notice must be provided before the end of the required time period for providing a COBRA election notice. Because employers may be subject to civil penalties if it is later determined that the termination was involuntary, the DOL strongly recommends that notice be provided to individuals who experienced any termination of employment.

### Model Notice of Extended Election Period

Plans that are subject to continuation coverage provisions under Federal or State law must provide, before the end of the required time period for providing a COBRA election notice, the [Notice of Extended Election Period](#) to all individuals who:

- Experienced a qualifying event that was a termination of employment at some time from April 1, 2010 through April 14, 2010;
- Were provided notice that did not inform them of their rights under ARRA, as amended by CEA; and
- Either chose not to elect COBRA continuation coverage at that time or elected COBRA but subsequently discontinued that coverage.

### Model Updated Alternative Notice

Insurance issuers that offer group health insurance coverage that is subject to comparable continuation coverage requirements imposed by State law must provide the [Alternative Notice](#) to all qualified beneficiaries, not just covered employees, who have experienced a qualifying event through May 31, 2010. However, because continuation coverage requirements vary among States, this notice should be further modified to reflect the requirements of the applicable State law. Issuers of group health insurance coverage subject to this notice requirement should feel free to use the model Alternative Notice, the model Notice of New Election Period, the model Supplemental Information Notice, the model Notice of Extended Election Period, or the model General Notice (as appropriate).

For more information on the extension of the COBRA premium reduction, see the [updated fact sheet](#). For further information, visit [www.dol.gov/COBRA](http://www.dol.gov/COBRA).

## Spotlight on Health Care Reform

### Dependent Coverage up to Age 26

For new plan years starting on or after September 23, 2010, the new health law requires group and individual health plans that cover dependents to continue to make



the [IRS site here](#).

## HIRE Act Affidavit Released by IRS



The IRS has released a [new form](#) that will help employers claim the special payroll tax exemption that applies to qualified newly-hired workers during 2010, created by the Hiring Incentives to Restore Employment (HIRE) Act.

New [Form W-11](#), Hiring Incentives to Restore Employment (HIRE) Act Employee Affidavit, is now posted on IRS.gov, along with answers to [frequently-asked questions](#) about the payroll tax exemption and the related new hire retention credit. The new law requires that employers get a statement from each eligible new hire, certifying under penalties of perjury, that he or she was unemployed during the 60 days before beginning work or, alternatively, worked fewer than a total of 40 hours for anyone during the 60-day period. Employers can use [Form W-11](#) to meet this requirement.

Most eligible employers then use Form 941,

dependent coverage available until age 26.

### Grandfathered Plans

For plan years beginning before Jan. 1, 2014, grandfathered group health plans offering dependent coverage will not need to make this coverage available if the adult child is eligible to enroll in another employer-sponsored health plan. Grandfathered plans are those plans that were in place on March 23, 2010. The law also expressly does not require a health plan or a health insurance issuer to make coverage available for a child of a child receiving dependent coverage.

### Income Tax Exclusion

As a result of changes made by the recently enacted Affordable Care Act, health coverage provided for an employee's children under 27 years of age is now generally tax-free to the employee, effective March 30, 2010.

The IRS announced that these changes immediately allow employers with cafeteria plans to permit employees to begin making pre-tax contributions to pay for this expanded benefit. For additional information on cafeteria plans, please [click here](#). These changes are explained in IRS Notice 2010-38, which provides further guidance to employers, employees, health insurers and others.

Employees with children who do not turn 27 by the end of the year are eligible for the new tax benefit from March 30, 2010, forward, if the children are already covered by or added to the employer's plan. For this purpose, a child includes a son, daughter, stepchild, adopted child or eligible foster child.

The notice also states that employers with cafeteria plans may permit employees to immediately make pre-tax salary reduction contributions to provide coverage for children under age 27, even if the cafeteria plan has not yet been amended to cover these individuals. Then, plan sponsors have until the end of 2010 to amend their cafeteria plan language to incorporate this change. To view Notice 2010-38, please [click here](#).

Note that the Affordable Care Act did not amend the Internal Revenue Code's basic definition of "dependent" in Section 152. Thus, employers designing benefit plans will need to be mindful of at least three different provisions relating to dependents:

1. Dependent Coverage requirement until age 26;
2. Income tax exclusion for employer-provided benefits to dependents until age 27; and
3. Qualifying "dependent" under the Internal Revenue Code for other purposes

### State Dependent Coverage Requirements

Although the health reform law applies in every state, several states have more favorable dependent coverage requirements. Employers and plan administrators should consult with their state insurance departments to ascertain requirements of their health plans. To contact your state insurance department, please [click here](#).

Employer's Quarterly Federal Tax Return, to claim the payroll tax exemption for eligible new hires. This form, revised for use beginning with the second calendar quarter of 2010, is currently available as a [draft form](#) on IRS.gov and will be released as a final along with the form's instructions.

For more information on the HIRE Act affidavit and exemption, please [click here](#).

### Updated Forms W-2 and W-3

The IRS has also issued the following updated Forms W-2 and W-3 to reflect the Social Security tax exemption available to qualifying employers under the HIRE Act.

- [2010 Form W-2](#) (Wage and Tax Statement)
- [2010 Form W-3](#) (Transmittal of Wage and Tax Statements)
- [2010 Instruction W-2 and W-3](#)

To view additional FAQs for employers on the HIRE Act, please [click here](#).

## Keeping Stress at Work in Check

Stress at work can come from significant workload, pressing deadlines and time management issues. When workplace stress feels overwhelming, the following are some simple steps managers and employees can take to reduce the pressure.



### How Managers Can Help Their Teams Reduce Stress

With so many responsibilities, projects and tasks to implement in a given day, it's easy for employees to lose a sense of priority and simply jump from one thing to another. Sometimes the most complex and difficult tasks are avoided in favor of completing the smaller jobs. One helpful way to help alleviate stress is for managers or supervisors to develop daily or weekly to-do lists for their teams based on organizing tasks, defining goals and setting reasonable timelines.

### Step-Out a Complicated Project

For complex projects, managers should consider breaking them up into sequential steps. Thus, where you can divide a project into discrete phases, you can provide specific direction to your team, helping to maintain a calm environment and motivating them to complete their tasks.

### Start Delegating

*Truly* delegating tasks is another way that a manager can reduce his or her own stress. Allocating an important task to one or more employees, only to end up micromanaging his or her every move, defeats the purpose of delegating. With solid planning and open communications, employees will be ready to "run with the ball".

### Help Alleviate Worry about Job Security

One of the major sources of stress for employees -- especially in today's challenging economy -- is job security. Worrying about whether another round of layoffs will be coming can definitely increase stress and drain positive energy. One step to reduce stress is clearly communicating to valued employees about their future with the company.

Your communication with employees should also include an ongoing conversation about their individual roles. Employees may be able to help identify new ways that they can contribute. Even just giving employees an opportunity to express fresh ideas and ways to improve or enhance the company can make them feel valued and important. Similarly, showing employees recognition for achievements can increase their confidence as well as reduce stress related to their workload.

### Tips for Reducing Stress Everyone Can Use

Finally, the following are some simple tips everyone can use to can lower the stress level and increase productivity.

*Make Time for Meetings and Completing Tasks* - Segment your day to allow for meetings and the time necessary to complete tasks. It is very easy to lapse into scheduling meeting after meeting and not allow for the time necessary to actually complete your work. Blocking out time to complete a task on your calendar is just as important as allocating time form meetings.

*Avoid Setting Unrealistic Goals* - When you strive to be perfect or try to achieve unrealistic goals, you could be setting yourself up for even greater stress and the risk of failure. Instead, set achievable goals with reasonable timelines. Remember with each successful task you achieve, your sense of accomplishment will grow while your stress level will be reduced.

*Schedule Time for Exercise* - Regardless of how busy your schedule is, it is vitally important to get into an exercise routine. Whether you enjoy aerobics, jogging, walking, biking or any type of exercise, a regular routine will help reduce stress and recharge your batteries for the challenges ahead.

*Keep Your Sense of Humor* - Laughter can be one of the best stress relievers of all. When things start to get too intense, it could be a time for a little humor to lighten the load.

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