



## Newsletter

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### COBRA Subsidy Program

The following is an excerpt from the IRS regarding the new COBRA Subsidy program that was signed into law on February 17<sup>th</sup>. You can find this and more on the IRS website [www.IRS.GOV](http://www.IRS.GOV) :

Under the new law, eligible former employees, enrolled in their employer's health plan at the time they lost their jobs, are required to pay only 35 percent of the cost of COBRA coverage. Employers must treat the 35 percent payment by eligible former employees as full payment, but the employers are entitled to a credit for the other 65 percent of the COBRA cost on their payroll tax return.

Employers must maintain supporting documentation for the credit claimed. This includes:

- Documentation of receipt of the employee's 35 percent share of the premium.
- In the case of insured plans: A copy of invoice or other supporting statement from the insurance carrier and proof of timely payment of the full premium to the insurance carrier.
- Declaration of the former employee's involuntary termination.

COBRA provides certain former employees, retirees, spouses, former spouses and dependent children the right to temporary continuation of health coverage at group rates. COBRA generally covers health plans maintained by private-sector employers with 20 or more full and part-time employees. It also covers employee organizations or federal, state or local governments. It does not apply to churches and certain religious organizations. The new COBRA subsidy provisions also apply to insurers required to offer continuation coverage under state law similar to the federal COBRA.

More information about COBRA payments and the new law is available on [www.dol.gov](http://www.dol.gov).

### Cobra Subsidy Credit

If your company will have Cobra Subsidy payments and will need to take a credit towards your federal tax payments, the following information will be needed in writing by the payroll process date for which the credit will be taken towards. Please submit this information each time you have a credit to report (see IRS guidelines for when it becomes a valid credit).

- Amount of Cobra Premium Credit to be taken
- Number of individuals provided COBRA premium assistance
- Tax due date or Check date the credit should be taken on
- Statement that you have verified this information
- Signed and dated by a valid payroll contact

American Automated Payroll will not refund any Cobra Subsidy Credit in excess of the federal tax liability for which the credit will be taken. Any excess credit can be rolled forward to your next tax liability due date or can be requested as a refund on your 941 at the end of the quarter. Please feel free to contact our tax department with any questions.

### The Making Work Pay Tax Credit

The IRS has issued updated withholding tables to be implemented no later than April 1<sup>st</sup> and no sooner than February 17<sup>th</sup> 2009. These adjustments are required by the new economic stimulus law. Details about the Making Work Pay credit will be available in Publication 15, (Circular E), Employer's Tax Guide that can be found on the IRS web site: [www.IRS.GOV](http://www.IRS.GOV) .

This adjustment in the tax tables was implemented in American Automated Payroll's software on February 25<sup>th</sup>. These new tax tables may result in an increase in take-home pay. It is not necessary to submit a form W-4 to get the automatic withholding change. However, an employee with multiple jobs or married couples whose combined incomes place them in a higher tax bracket may elect to submit a revised W-4 to ensure enough withholding is held to cover the tax for their combined income. Publication 919 provides additional guidance for tax withholding, or the employee can speak with their tax professional .

March 2009

### AAP Bank Holidays

05/25/09-Memorial Day  
AAP Closed

*Congratulations to  
Tracy Fish  
for being elected  
Secretary of the  
South Carolina  
Chapter of The  
American Payroll  
Association*

*AAP Employee  
of the Month  
Rosanna  
Bustamante*

### Payroll Submission Guidelines for Escrow & Direct Deposit Accounts

Due to AAP	For Check Date
Monday	Thursday
Tuesday	Friday
Wednesday	Monday
Thursday	Tuesday
Friday	Wednesday

### AAP Contacts

#### Payroll Manager

Ashley Bond, FPC

#### Customer Service

Theresa Barnes

Rosanna Bustamante

#### Tech Support

Steven Fish

Gina DeGeorge

#### Accounting

Lisa Burnett

Rosanna Farrell

#### Tax Pay & File

Tracy Fish, CPP

Laurie Portillo

#### Business Development

Robert Hull

Peter Insabella

#### Payroll Supervisors

Sommer Judy, FPC

Jennifer Smart

Danielle Castleberry

Shelley Ward

Nydia Shelton

#### Production

Rosanna Farrell

Donna Canady

Kim Stevens, FPC

Kelly LeCouter

Roger Martinez