



215 N Main Street
Freeport, NY 11520
(516)931-8400
(516)931-8500 fax

March 12, 2009

Dear Valued Client:

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA), commonly known as the Economic Stimulus Act.

If you are an employer subject to federal COBRA or similar requirements under state law, you may be required to accept a 35 percent premium payment from certain participants eligible under ARRA as payment in full for their monthly premium. Employers must pay the remaining 65 percent of the premium on behalf of COBRA participants.

You may recover the subsidy provided to assistance-eligible individuals by reducing your federal tax payments by the amount of the premiums paid. For Full-Tax Filing clients, Advantage will reduce 941 deposits to the Internal Revenue Service (IRS) by COBRA premium amounts reported and then credit the next payroll by the reduction amount. Any remaining credit due at the end of the quarter will show as an overpayment to be applied on the Employer's Quarterly Federal Tax Return (Form 941). Clients who are not using the Advantage Tax Filing service will have a new line item on the payment voucher indicating the COBRA premium reduction. Any remaining credit due at quarter-end will be reported on the Employer's Quarterly Federal Tax Return (Form 941) as an overpayment to be refunded.

The IRS revised Form 941 by adding lines to report the number of COBRA premium assistance individuals and the total dollar amount of COBRA premium assistance payments. Advantage will have the new Form 941 in place for first quarter 2009 filing. For Advantage to accurately complete the new Form 941 for you, we require the enclosed document to be completed, signed, and returned to us each time you wish to claim premiums paid.

For information about documentation you must retain to substantiate amounts paid on behalf of COBRA recipients receiving assistance, please refer to the following link on the IRS Web site: <http://www.irs.gov/newsroom/article/0,,id=204708,00.html>.

For the latest updates about how this and other economic stimulus legislation may affect your business, visit <http://www.irs.gov/>.

Please keep in mind that Advantage is not in the business of rendering legal or accounting advice. You are solely responsible for determining, exercising, and managing your own rights and obligations under applicable laws. The information provided herein is of a general nature and is not intended to replace the advice and services of an attorney or accounting professional.

Thank you for choosing Advantage. It is our privilege to serve as an essential partner with your business.

Sincerely,

The Specialists at Advantage