



## **WOTC and COBRA CREDIT**

### **The American Recovery and Reinvestment Act of 2009**

On February 17, President Obama signed The American Recovery and Reinvestment Act (ARRA) of 2009. This law includes Work Opportunity Tax Credit (WOTC) category additions and COBRA health insurance coverage credits that may impact your business.

For more information, please contact First Advantage at 800.669.6005 or e-mail [tax@fadv.com](mailto:tax@fadv.com).

#### **WOTC**

ARRA creates two new categories of targeted groups. These categories apply to 2009 and 2010 hires.

**Unemployed veteran:** discharged from active duty during the five-year period ending upon hiring date and received unemployment compensation for at least four weeks during the year prior to being hired.

**Disconnected youth:** must be at least 16 but have not reached 25 years of age on his or her hiring date, lacks basic skills that would make him/her employable, and during the six-month period prior to hiring date, the employee must not have been regularly employed nor attending secondary, technical, or post-secondary school. The Conference Committee Report intends that a low-level of formal education satisfies the requirement of lacking basic skills.

#### **COBRA Credit**

COBRA health insurance coverage elected by individuals who are involuntarily separated from employment between September 1, 2008 and January 1, 2010 is at a former employee cost of 35% of premiums. Former employers must pay the remaining 65% of the premium and are eligible for a corresponding credit against wage withholdings and payroll taxes. This credit applies to premiums for a period of coverage beginning February 17, 2009.

### **About First Advantage Tax Consulting Services**

First Advantage Tax Consulting Services develops and implements strategies to reduce your tax liabilities, including the Work Opportunity Tax Credit and other employment-related incentives, location-based credits and grants, training grants, and economic incentive services.

*This information is intended to provide a brief synopsis of recent developments in federal and state tax credits and incentives and is intended to be informational only. Because the matters described above are complicated in nature, the reader should seek appropriate legal or other professional outside counsel for a more complete explanation prior to acting on the information contained in this document. Any advice contained in this document is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under applicable federal, state or local tax law.*