



# 2009 Stimulus Package-New Issues for Employers

President Obama signed a \$787 billion economic stimulus package on February 17, 2009 that has immediate implications for employers. The No. 1 goal of the more than 1,000-page package is to save and/or create three million U.S. jobs.

## For employers it means the following:

### Unemployment and Tax Provisions

- Funding for states to temporarily extend unemployment benefits for an additional 7 weeks, and increase benefits by about \$25 per week. This also exempts the first \$2,400 of unemployment payments from federal income tax.
- Employers will face increased scrutiny on how they classify workers (i.e. independent contractors versus employees).
- New tax incentives for businesses that hire unemployed veterans and “disconnected youths.” Businesses can claim a 40 percent tax credit for the first \$6,000 of wages paid to employees in particular groups under the Work Opportunity Tax Credit (WOTC).
- The package requires any business that receives funds under the government’s Troubled Asset Relief Program (TARP) to hire U.S. workers or show good cause before recruiting or hiring overseas workers under H-1B visas.

### Health

- The Stimulus also appropriates roughly \$20 billion to subsidize COBRA premiums for those who are unemployed. The government will provide a 65 percent subsidy of COBRA premiums for up to nine months for employees who are involuntarily terminated from employment between September 1, 2008 and December 31, 2009.
- The Stimulus also intensifies privacy and security requirements under the Health Insurance Portability and Accountability Act (HIPAA), affecting plan sponsors, third-party administrators, and businesses that record, transmit and store health care records.

### Compensation

- The Making Work Pay provision of the American Recovery and Reinvestment Act provides a tax credit of up to \$400 for individuals and \$800 for married taxpayers filing a joint tax return. For those who receive a paycheck and are subject to federal withholding, the credit is granted through a reduction in the federal withholding schedule.
- The Stimulus also places limits on executive compensation for businesses that receive TARP funds (federal bailout money). In addition, TARP recipients must create corporate expense policies and cannot retaliate against whistle blowers that report misuse of government funds.
- The Stimulus provides a temporary increase in the caps for pre-tax commuter assistance or subsidized transit pass/vanpool benefits from \$120 to \$230 per month. This provision does not require employers to increase such subsidies.

### What You Can Do

Keeping up with regulatory changes can be a daunting task, particularly for small business owners. More than 250,000 employers have already made the decision to outsource these tasks to a Professional Employer Organization (PEO). Call (866) 508-7361 or visit [www.odysseyonesource.com/ContactUs/](http://www.odysseyonesource.com/ContactUs/) to see how Odyssey OneSource can help your business.

The White House has created a Web site, [www.recovery.gov](http://www.recovery.gov), dedicated to tracking the plan’s progress and how the funds are being spent.

### Sources:

[www.shrm.org](http://www.shrm.org); [www.irs.gov](http://www.irs.gov)

“Details of Economic Stimulus Package Still Coming to Light” by Bill Leonard, 2/27/2009.

“Stimulus Package Includes Significant HR Provisions” by Bill Leonard, 2/17/2009.