



Last Updated: 4/16/09

[Revision History](#)

COBRA Premium Subsidy Guide for QuickBooks

If you subsidize COBRA premiums for assistance-eligible individuals under the provisions of the American Recovery and Reinvestment Act of 2009, the federal government reimburses you for these premium-assistance payments, or subsidies.

(For information on who is eligible for COBRA premium assistance, see the [United States Department of Labor web site](#); for questions about the rules for reporting or receiving credit or reimbursement for COBRA premium assistance, see the [IRS web site](#).)

You can recover this money from the federal government in two ways:

- You can take a credit against your regular federal 941/944 payroll tax liabilities each time you pay those taxes.
- You can wait and claim the credit when you file your employer’s quarterly or annual federal tax return (Form 941 or 944).

[For COBRA subsidies paid in Q1](#) (February 17 to March 31, 2009), QuickBooks only supports the second option, and you must track and report the COBRA subsidy manually when you complete Form 941 for Q1.

Beginning April 16, 2009 (tax table update 20910), QuickBooks (2007 and later) supports both methods. It provides a payroll item that lets QuickBooks track the COBRA subsidy for you and report it on Form 941 (if you have Standard, Enhanced, or Assisted Payroll service).

You have three options for handling COBRA subsidy payments, depending on your goals:

	Goal	What to do
1*	<ul style="list-style-type: none"> • Keep it simple • Wait to get 65% credit with 941/944 filing 	<ul style="list-style-type: none"> • Manually track COBRA premium subsidy payments • Manually enter COBRA subsidy payments on Form 941 or 944
2	<ul style="list-style-type: none"> • Get 65% credit against regular federal 941/944 payroll tax liability payments 	<ul style="list-style-type: none"> • Set up the US – COBRA Subsidy Credit payroll item • Make a liability adjustment for the 65% subsidy credit. • Pay payroll taxes and apply the subsidy credit. • File quarterly Form 941 (or annual Form 944) • Record any COBRA subsidy credit refund
3	<ul style="list-style-type: none"> • Get 65% credit against regular federal 941/944 payroll tax liability payments • Account for all COBRA-related money movement in QuickBooks 	<ul style="list-style-type: none"> • Set up the US – COBRA Subsidy Credit payroll item • Record the 35% premium payments received from assistance-eligible individuals. • Record premium payments to the health-insurance vendor. • Make a liability adjustment for the 65% subsidy credit. • Pay payroll taxes and apply the subsidy credit. • File quarterly Form 941 (or annual Form 944) • Record any COBRA subsidy credit refund

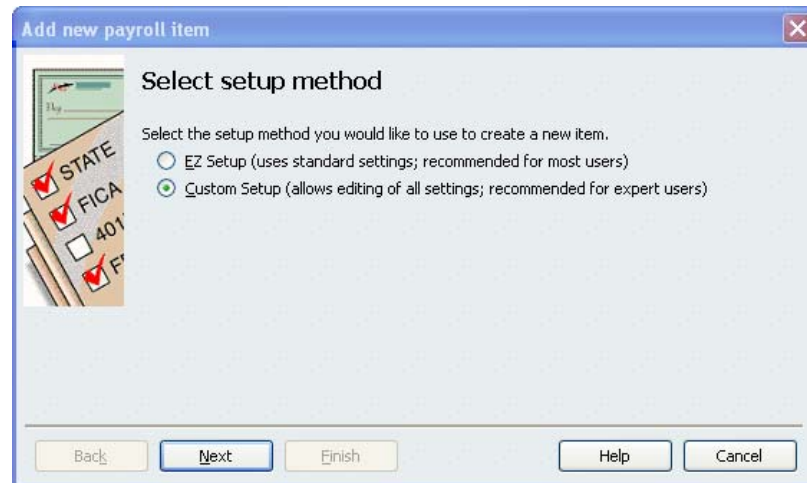
*Assisted Payroll users may not use this solution.

Set up the US - COBRA Subsidy Credit payroll item

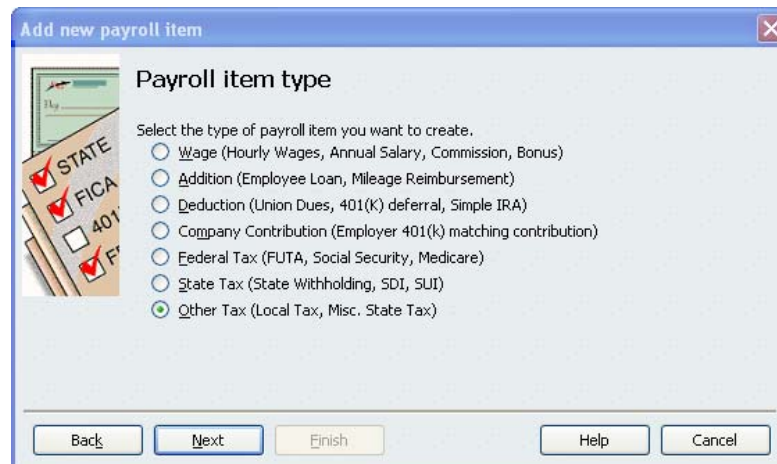
All QuickBooks Payroll users who make COBRA subsidy payments must set up the US - COBRA Subsidy Credit payroll item.

To do this task:

1. Be sure you have the 20910 (or later) tax table update installed. (To check, choose **Get Payroll Updates** from the **Employees** menu and check the tax table version shown.)
2. From the **Employees** menu, choose **Manage Payroll Items** and then choose **New Payroll Item**.
3. Select **Custom Setup** and click **Next**.



4. Select **Other Tax** and click **Next**.



(Note that, although the COBRA subsidy credit is not technically a tax, QuickBooks has defined it here to simplify the workflow for taking the credit against payroll tax liabilities.)

- From the Other Tax drop-down menu, choose **US – COBRA Subsidy Credit** (near the bottom of the alphabetic list) and click **Next**.

The screenshot shows a dialog box titled "Add new payroll item" with a close button in the top right. On the left is a graphic of tax forms with checkboxes for STATE, FICA, 401, and F. The main area is titled "Other tax" and contains the text: "Other tax: Choose a predefined tax from the list. If you do not see the tax you want, choose User-Defined Tax to create a tax." Below this is a dropdown menu currently showing "US - COBRA Subsidy Credit". At the bottom are buttons for "Back", "Next", "Finish", and "Cancel".

- Enter a name for this new payroll item or accept the default (US – COBRA Subsidy Credit). We've chosen "COBRA Subsidy Credit," but you can name this item whatever you want. Click **Next**.

The screenshot shows a dialog box titled "Add new payroll item (US - COBRA Subsidy Credit)" with a close button in the top right. On the left is the same tax forms graphic. The main area is titled "Name used in paychecks and payroll reports" and contains the text: "Enter name for this company-paid other tax:" followed by a text input field containing "COBRA Subsidy Credit". Below the field is a note: "For example, if you are creating a company-paid payroll tax for San Francisco, you may want to call it 'SF - Payroll Company'". At the bottom are buttons for "Back", "Next", "Finish", "Help", and "Cancel".

- Leave the name of agency and the identifying number fields blank; QuickBooks supplies the agency and identifying number associated with 94x taxes.

Choose your **Payroll Liabilities** account from the liability account drop-down menu (it may have a slightly different name). Choose **<Add New>** from the expense account drop-down menu to add a new expense account for this payroll item.

The screenshot shows a dialog box titled "Add new payroll item (US - COBRA Subsidy Credit)" with a close button in the top right. On the left is the tax forms graphic. The main area is titled "Agency for company-paid liability" and contains several fields: "Enter name of agency to which liability is paid:" with a dropdown menu; "Enter the number that identifies you to agency:" with a text input field; "Liability account (company-paid):" with a dropdown menu showing "Payroll Liabilities" and a note: "This liability account tracks other tax to be paid. You can change this account at any time."; and "Expense account:" with a dropdown menu showing "< Add New >". At the bottom are buttons for "Back", "Next", "Finish", "Help", and "Cancel".

8. Choose **Other Current Liability** from the Account Type drop-down menu, and supply a name for the liability account. We've chosen "COBRA Clearing Account." Optionally, enter a Description of the account. Click **Save & Close**.

Add New Account

Account Type: Other Current Liability

Number: []

Account Name: COBRA Clearing Account

Subaccount of: []

Optional

Description: []

Account No.: []

Routing Number: []

Tax-Line Mapping: <Unassigned> [How do I choose the right tax line?](#)

[Should I enter an opening balance?](#)

9. Click **Next**.

Add new payroll item (US - COBRA Subsidy Credit)

Agency for company-paid liability

Enter name of agency to which liability is paid: United States Treasury

Enter the number that identifies you to agency: []

Liability account (company-paid): Payroll Liabilities

This liability account tracks other tax to be paid. You can change this account at any time.

Expense account: COBRA Clearing Account

Company-paid other tax is an expense to your company. You can change this account at any time.

10. Click **Finish**.

Add new payroll item (US - COBRA Subsidy Credit)

Taxable compensation

Select the items that will increase wages for this tax.

Payroll Item
<input checked="" type="checkbox"/> Employee Salary

Click Default to revert to QuickBooks automatic settings.

You can now use this payroll item to track your COBRA subsidy credit.

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To pay bills:

1. From the **Vendors** menu, choose **Pay Bills**.
2. Check the box on the line for the bill you are paying.

<input checked="" type="checkbox"/>	Date Due	Vendor	Ref. No.	Disc. Date	Amt. Due	Disc. Used	Credits Used	Amt. To Pay
<input checked="" type="checkbox"/>	04/12/2009	Health Insurance Vendor			1,000.00	0.00	0.00	1,000.00
Totals					1,000.00	0.00	0.00	1,000.00

3. Indicate the **Payment Date**, **Method**, and **Account**. (The order of these fields may be slightly different depending on your version of QuickBooks.)
4. Click **Pay Selected Bills**.

You can see the payments deducted from the COBRA Clearing Account by [looking at the account detail in your Chart of Accounts](#).

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Make a liability adjustment for the COBRA subsidy credit

All QuickBooks Payroll users who make COBRA subsidy payments **must** make a liability adjustment to let QuickBooks track the amount of the subsidy credit. You make this adjustment for each assistance-eligible individual effective no earlier than the month for which the premium is due.

For example, if an assistance-eligible individual makes a single payment covering his or her 35% premiums for July through September, you can only take credit in July for the July portion of that payment.

Note that the IRS requires supporting documentation for COBRA subsidy credits. For details of what's required, see the [IRS web site](#).

To do this task:

1. Be sure you have [set up the US – COBRA Subsidy Credit payroll item](#) and its associated liability accounts.
2. From the **Employees** menu, choose **Payroll Taxes and Liabilities** and then choose **Adjust Payroll Liabilities**.
3. Select an **Employee** adjustment and choose the assistance-eligible individual from the Employee drop-down menu. (This menu lists inactive employees, as well as active employees.)

Item Name	Amount	Wage Base	Memo
COBRA Subsidy Credit	-650.00	0.00	

(Note that QuickBooks sets the Date and Effective Date to today's date by default. The Effective Date should be a date within the month during which you are eligible to take this credit. The Effective Date cannot be later than the Date, so if you need to set the Effective Date in the future, change the Date to match.)

4. In the Item Name column, select **COBRA Subsidy Credit** (or whatever you named this payroll item). In the Amount field, enter the 65% COBRA premium subsidy amount as a **negative** number.

Important: Be sure to enter your COBRA premium subsidy as a **negative** number. If you enter it as a positive number, QuickBooks will not deduct it

correctly from your payroll liabilities or provide it correctly on your Form 941.

5. Click **Next Adjustment** to make a COBRA subsidy liability adjustment for another assistance-eligible individual, or click **OK** when you have finished making liability adjustments.

Once you have completed the liability adjustment entry, you can [apply this credit to your payroll tax liabilities](#).

You can check the total amount of COBRA subsidy credits and the amount already applied to payroll taxes by [running the Payroll Item Detail report](#). You can see the COBRA subsidy credit by assistance-eligible individual by [running the Payroll Summary report](#).

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Apply the COBRA subsidy credit to your payroll taxes

Assisted Payroll users: You can ignore this section. When you send your regular payroll to the Assisted Payroll service, QuickBooks also sends any COBRA subsidy liability adjustment entries you have made since the last payroll. Although the Items to Send shows the tax liability without the adjustment, the Assisted Payroll service automatically applies the credits to reduce your payroll taxes and returns a LIAB CHK item that represents your reduced tax liability. If your subsidy credit is greater than your tax liability, the Assisted Payroll service automatically applies the excess to your next tax payment.

Basic, Standard, and Enhanced users: When you pay your regular 941/944 federal payroll tax liability, you can offset the amount you owe for a calendar quarter by the amount of any COBRA subsidy credits you have not yet used in that calendar quarter.

To do this task:

1. Be sure you have [made all the liability adjustments](#) for COBRA subsidy credits to which you are entitled. [Run a Payroll Item Detail report](#) and check your current COBRA subsidy credit balance.
2. From the Payroll Center (**Employees → Payroll Center**), check the federal 941/944 payroll tax liability you want to pay, and click **View/Pay**.
3. Click the **Payroll Liabilities** tab (below the check image) and add **COBRA Subsidy Credit** (or whatever you named the payroll item) in the Payroll Item column.

Liability Payment - Bank account

Payment 1 of 1

Bank Account: Bank account Ending Balance: 2,203.25

No. To Print: 1
Date: 04/02/2009
Pay to the Order of: United States Treasury \$ 301.54
Dollars

Address: [Empty]
Memo: 34-8295896

Period: 04/01/09 - 06/30/09

Expenses: \$0.00 Payroll Liabilities: \$0.00

Payroll Item	Amount	Memo
Social Security Employee	71.54	
Medicare Company	16.73	
Medicare Employee	16.73	
COBRA Subsidy Credit		

Enter as a negative amount

Recalculate Save & Close Save & Next Cancel

4. In the Amount column, enter the amount of COBRA subsidy credit you're eligible to take against this liability payment, as a **negative** number. Be sure you are only reducing your liability payment by eligible subsidy amounts for the same calendar quarter as the liability period.

Important: Be sure to enter your COBRA premium subsidy as a **negative** number. If you enter it as a positive number, QuickBooks will not deduct it

correctly from your payroll liabilities or provide it correctly on your Form 941.

If your available COBRA subsidy credit is less than the amount of the liability payment, you can only enter an amount equal to the available COBRA subsidy credit.

If your available COBRA subsidy credit is greater than the amount of the liability payment, you can only enter an amount equal to the liability payment. (That is, you may not create a check with a negative payment amount.)

If you plan to e-pay this liability payment, you cannot send a zero e-payment. Your payment must be at least \$.01.

5. Click **Recalculate** to adjust the check amount.

Liability Payment - Bank account

Payment 1 of 1

Bank Account: Bank account Ending Balance: 2,203.25

No. To Print: 04/02/2009

Date: 04/02/2009

Pay to the Order of: United States Treasury \$ 0.00 Dollars

Address: [Empty]

Memo: 34-8295896

Period: 04/01/09 - 06/30/09

How do I e-pay? E-payment Check

Expenses: \$0.00 Payroll Liabilities: \$0.00 To be printed

Payroll Item	Amount	Memo
Social Security Employee	71.54	
Medicare Company	16.73	
Medicare Employee	16.73	
COBRA Subsidy Credit	-301.54	

Buttons: Recalculate, Save & Close, Save & Next, Cancel

6. Click **Save & Close**.

7. Create your liability payment checks or e-pay your liabilities as you normally do.

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Review payroll reports and Chart of Accounts

By regularly reviewing the Payroll Item Detail and Payroll Summary reports and your Chart of Accounts, you can ensure that you are recording your COBRA subsidy credits properly.

To review the Payroll Item Detail report:

1. Be sure you have [set up the US – COBRA Subsidy Credit payroll item](#) and its associated liability accounts.
2. From the **Reports** menu, choose **Employees & Payroll** and then choose **Payroll Item Detail**.

To review the Payroll Summary report:

1. Be sure you have [set up the US – COBRA Subsidy Credit payroll item](#) and its associated liability accounts.
2. From the **Reports** menu, choose **Employees & Payroll** and then choose **Payroll Summary**.

Note that the COBRA Subsidy Credit item (or whatever name you gave the payroll item) appears under Employer Taxes and Contributions by employee. This allows you to track the COBRA subsidy amount you pay on behalf of each assistance-eligible individual.

To review your Chart of Accounts:

1. Be sure you have [set up the US – COBRA Subsidy Credit payroll item](#) and its associated liability accounts.
2. From anywhere in QuickBooks, press **Ctrl + A**.
3. Select the COBRA Clearing Account line.
4. To see detail of the transactions in this account, press **Ctrl + Q**.

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File quarterly Form 941

When you file your quarterly Form 941, you can offset the amount you owe in federal payroll taxes by the amount of any COBRA subsidy credits you have not yet used.

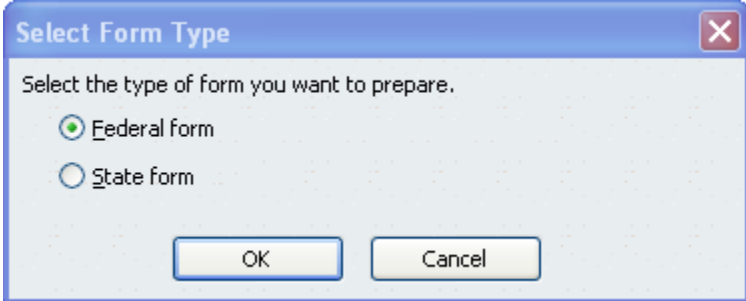
Assisted Payroll users: You can ignore this section. The Assisted Payroll service prepares and files Form 941 for you using any liability adjustments sent to the payroll service with payrolls by the last day of the quarter.

Basic users: Prepare your Form 941 by hand, using the payroll reports to determine your tax liability and COBRA subsidy credits.

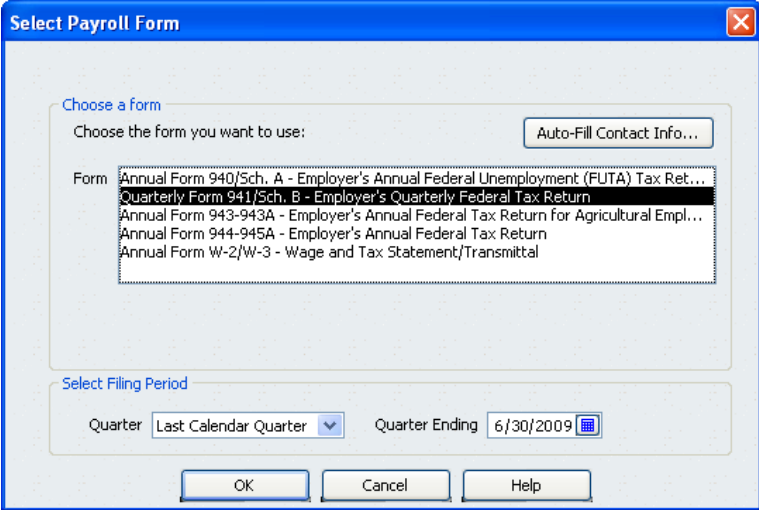
Standard and **Enhanced** users: QuickBooks supplies your tax liability and COBRA subsidy credits and calculates your balance due or your overpayment automatically on Form 941 when you follow the process described here.

To do this task:

1. Be sure you have [set up the US – COBRA Subsidy Credit payroll item](#) and its associated liability accounts.
2. From the **Employees** menu, choose **Payroll Tax Forms & W-2s** and then click **Process Payroll Forms**.
3. In the Select Form Type window, choose **Federal form** and click **OK**.



4. In the Select Payroll Form window, choose **Quarterly Form 941/Sch. B**.



5. Complete the Interview for Form 941. If you made liability adjustments for your COBRA subsidy amounts, QuickBooks supplies the amount of **total COBRA premium assistance payments**. Check that this number is correct. (You can

override the amount on this interview page if it is not correct, but changes you make here are not recorded in QuickBooks. If you change the number that QuickBooks provides, you need to make a corresponding adjustment in your QuickBooks records.)

Supply the **total number of individuals** for whom you made COBRA premium assistance payments.

The screenshot shows a 'Payroll Tax Form' window. The 'Reporting COBRA premium assistance payments (Form 941 Line 12a and 12b)' section is highlighted with a red box. It contains the following text: 'The American Recovery and Reinvestment Act of 2009 established an employer-provided subsidy for employees who involuntarily lose their jobs. Employers making COBRA premium assistance payments for assistance eligible individuals will need to report these payments as a credit against current quarter payroll liabilities. If the provision applies to you, complete the two lines below according to the instructions provided in "View details about this form."' Below this text are two input fields: 'Enter the total COBRA premium assistance payments you made' with a value of 700.00, and 'Enter the total number of individuals provided assistance payments reported on the line above'. A note below the fields states 'COBRA data entered above will automatically flow to the Form 941 Line 12a and 12b.' At the bottom of the window, there are buttons for 'View details about this form', 'View filing and printing instructions', '<<< Previous', 'Next >>>', 'Save and Close', 'Save as PDF...', 'Print for Your Records...', 'Check for Errors', and 'Submit Form...'.

6. Click **Check for Errors** to see errors or inconsistencies that QuickBooks may have found and to view and check the Form 941.

(Alternatively, you can click Next to skip error-checking at this time. QuickBooks will warn you if there are inconsistencies or errors when you choose Submit Form.)

Note that the COBRA premium assistance information supplied in the interview is used to complete lines 12a and 12b on the Form 941. These lines are locked on the form, but if you discover an error, you can click Previous to return to the interview page and correct the numbers there.

If your COBRA premium assistance payments have resulted in an overpayment of your payroll tax liabilities for the quarter, you see the following error at the top of your Payroll Tax Form window:

The screenshot shows a window titled "Payroll Tax Form" with a yellow warning icon and the message: "There is 1 error in your form. Click the error description below to go to the field in error." The error message reads: "1. Form 941: Overpayment boxes -- Check one of the two boxes to request a refund or have your overpayment applied to the next return." Below the error message is a table for Form 941:

<i>Note: Line 12 may apply if you have individuals who are eligible for COBRA continuation health coverage and have received a subsidy for 65% of the premium. For more information see "Details about this form."</i>		
12 a	COBRA premium assistance payments	700.00
12 b	Number of individuals provided COBRA premium assistance reported on line 12a	2
13	Add lines 11 and 12a	537,059.14
14	Balance due. If line 10 is more than line 13, enter the difference here	
15	Overpayment. If line 13 is more than line 10, enter the difference here	700.00

Below the table, there are two checkboxes: Apply to next return and Send a refund. The "Apply to next return" checkbox is selected. At the bottom of the window, there are buttons for "Save and Close", "Save as PDF...", "Print for Your Records...", "Goto Line", "Dump", "Check for Errors", and "Submit Form...".

- If you have an overpayment, check **Apply to next return** to apply this amount to your tax liabilities for the next quarter or check **Send a refund** to request a refund of this amount from the IRS.
- Print, save, and submit the completed Form 941 as you normally do.

How long until I receive my refund from the IRS?

If your COBRA premium assistance payments have resulted in an overpayment of your payroll tax liabilities for the quarter and you request a refund, you should check the [IRS web site](#) for current information on when to expect your refund.

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Deposit federal government refunds for unused COBRA subsidy credits

Assisted Payroll users: When the Assisted Payroll service files your quarterly Form 941, it automatically includes your total COBRA subsidy credits. If this amount is larger than your total tax liabilities for the quarter, the Assisted Payroll service requests a refund for you from the IRS.

Basic, Standard, and Enhanced users: If your quarterly Form 941 shows a total COBRA subsidy credit larger than your total tax liabilities for the quarter, you have the option to request the difference as a refund from the IRS.

You will want to account for this refund in QuickBooks so the liability accounts associated with COBRA subsidy credits reflect the refund received.

Important: For refunds from a Form 941 you filed for Q1 2009, you should not use this procedure. Instead, you should deposit the refund in the same account from which you made the COBRA subsidy payments if you tracked these payments in some way in QuickBooks.

To do this task:

1. Be sure you have [set up the US – COBRA Subsidy Credit payroll item](#) and its associated liability accounts.
2. From the **Employees** menu, choose **Payroll Taxes and Liabilities** and then choose **Deposit Refund of Liabilities**.
3. Enter the **United States Treasury** as the Vendor and the appropriate Refund Date and For Period Beginning date.
4. In the **Item Name** column, choose **COBRA Subsidy Credit** (or whatever you called the payroll item) from the drop-down menu. Enter the refund amount in the **Amount** column.

The screenshot shows the 'Refund Deposit for Taxes and Liabilities' dialog box. At the top, the Vendor is set to 'United States Tre...', the Refund Date is '07/17/2009', and the For Period Beginning is '04/01/2009'. The Deposit total is '0.00'. There are radio buttons for 'Group with other undeposited funds' (unselected) and 'Deposit To' (selected), with a dropdown menu showing 'Bank account'. On the right side, there are buttons for 'Next Refund', 'Prev Refund', 'OK', 'Cancel', and 'Help'. Below this is a table titled 'Taxes and Liabilities' with three columns: 'Item Name', 'Amount', and 'Memo'. The table contains one row with 'COBRA Subsidy Credit' in the Item Name column, '348.46' in the Amount column, and 'Refund of COBRA subsidy from govt' in the Memo column.

5. Click **OK**.

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Reporting COBRA Premium Assistance Payments for Q1

If you subsidized COBRA premiums for assistance-eligible individuals between February 17 and March 31, 2009, under the provisions of the American Recovery and Reinvestment Act of 2009, you need to report those payments to recover this money from the federal government.

I have the Assisted Payroll service. How do I report COBRA premium-assistance payments?

Because Intuit files Form 941 for you, we just need you to provide us with a couple of pieces of information by completing a short questionnaire on the Payroll Tax Center site **between April 1 and April 15**. Click [here](#) for detailed instructions.

What if I have Standard or Enhanced payroll service?

Be sure you have the latest QuickBooks payroll update (20909), which contains the **new 2009 Form 941**. Process Form 941 for Q1 (January 1 through March 31), supplying answers to the new questions about COBRA premium assistance payments during the form interview. Click [here](#) for detailed instructions.

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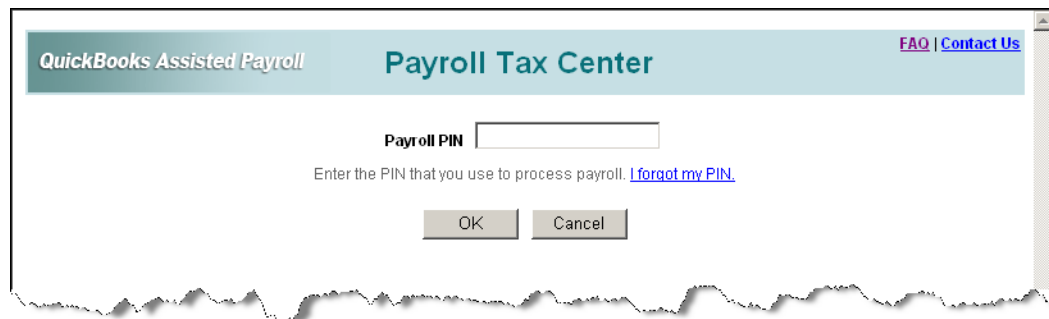
Reporting COBRA premium assistance payments for Q1 2009 only (Assisted Payroll customers)

To do this task:

1. **QuickBooks 2006:** From the Payroll Center, in the Prepare Payroll Tax Forms area, click **View/Download Tax Forms**.

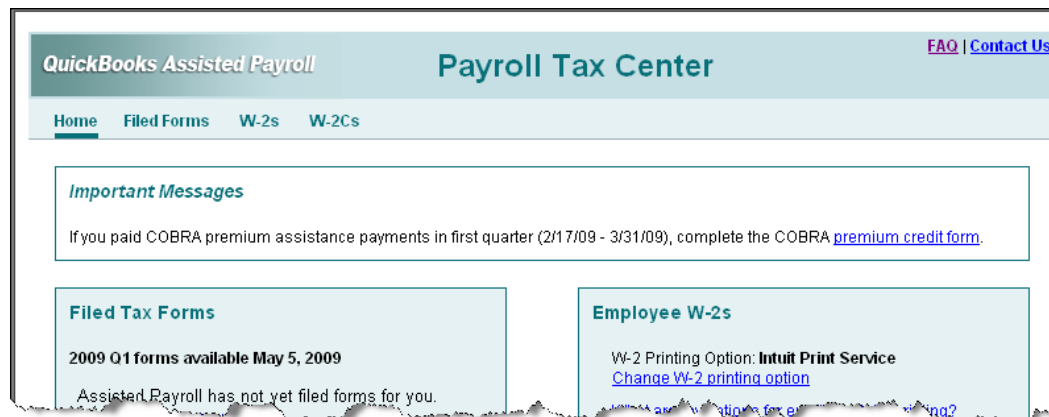
QuickBooks 2007, 2008, and 2009: From the **Employees** menu, choose **Payroll Tax Forms & W-2s** and then click **View/Print Filed Tax Forms & W-2s**.

2. Enter your payroll service PIN.



The screenshot shows the 'QuickBooks Assisted Payroll Payroll Tax Center' interface. At the top, there are links for 'FAQ' and 'Contact Us'. Below the header, there is a 'Payroll PIN' input field. A message below the field reads: 'Enter the PIN that you use to process payroll. [I forgot my PIN.](#)' At the bottom of the input area, there are two buttons: 'OK' and 'Cancel'.

3. Click the **premium credit form** link in the Important Messages box.



The screenshot shows the main dashboard of the 'QuickBooks Assisted Payroll Payroll Tax Center'. At the top, there are links for 'FAQ' and 'Contact Us'. Below the header, there is a navigation menu with 'Home', 'Filed Forms', 'W-2s', and 'W-2Cs'. The main content area is divided into three sections: 'Important Messages', 'Filed Tax Forms', and 'Employee W-2s'. The 'Important Messages' section contains a message: 'If you paid COBRA premium assistance payments in first quarter (2/17/09 - 3/31/09), complete the COBRA [premium credit form](#).' The 'Filed Tax Forms' section contains the text: '2009 Q1 forms available May 5, 2009' and 'Assisted Payroll has not yet filed forms for you.' The 'Employee W-2s' section contains the text: 'W-2 Printing Option: [Intuit Print Service](#)' and '[Change W-2 printing option](#)'.

4. Complete the form, supplying:

COBRA Credit Amount: The total dollar amount of COBRA premium assistance payments you made for all eligible individuals (not to exceed the 65% subsidy) between February 17 and March 31, 2009.

Number of Individuals: The total number of assistance-eligible individuals for whom you made COBRA premium assistance payments between February 17 and March 31, 2009.

Name and Phone: A contact name and daytime phone number of someone in your company Intuit can call if we have questions.

Report COBRA Premium Credit

If you paid COBRA premium assistance payments in first quarter (2/17/09 - 3/31/09), enter the information below to ensure accurate first-quarter Form 941 filing.

COBRA Credit Amount: Enter the total amount of COBRA premium assistance payments you made (not to exceed the 65% subsidy).

Number of Individuals: Enter the total number of individuals provided COBRA premium assistance payments.

Name and Phone: Enter your name and phone number so we can contact you if we have questions.

Company Name	Test Company
FEIN	999999999
Cobra Credit Amount	<input type="text"/>
Number of Individuals	<input type="text"/>
Contact Name	<input type="text"/>
Daytime Phone	<input type="text"/> <input type="text"/> <input type="text"/>

Frequently Asked Questions

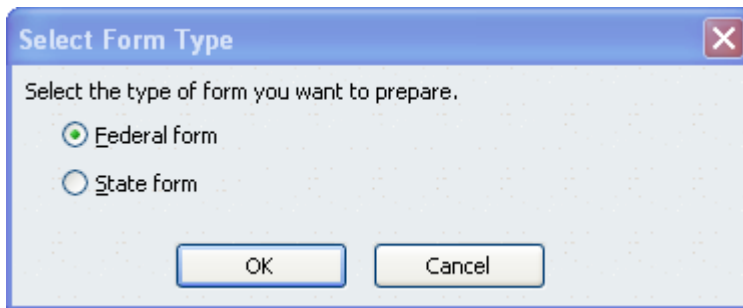
1. [Where can I get more information on the economic stimulus provisions?](#)
2. [How will I receive my credit for first quarter payments?](#)
3. [How do I report my COBRA premium assistance payments after first quarter 2009?](#)

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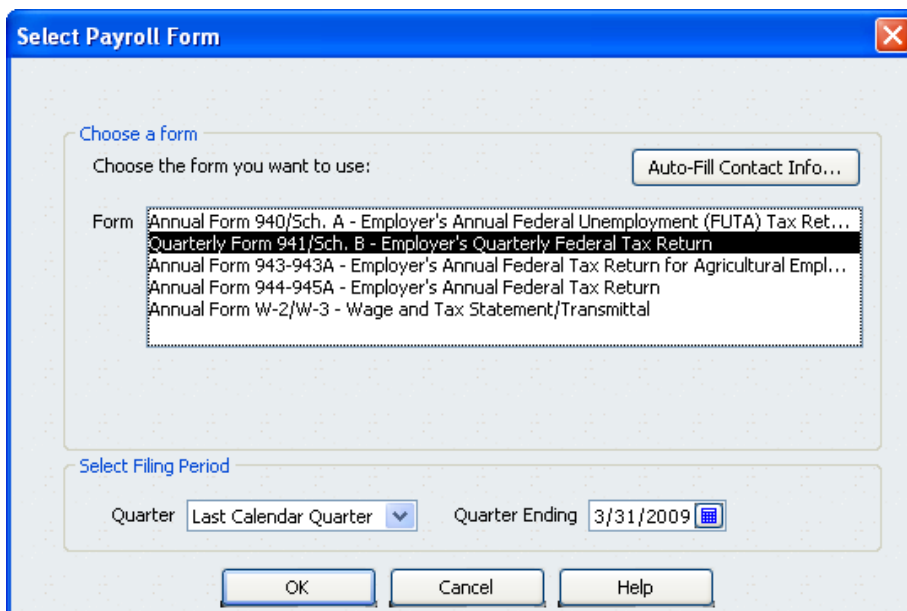
Reporting COBRA premium assistance payments for Q1 2009 only (Standard or Enhanced customers)

To do this task:

1. Be sure you have downloaded the latest QuickBooks payroll update (20909).
2. **QuickBooks 2006:** From the **Employees** menu, click **Process Payroll Forms**.
QuickBooks 2007, 2008, and 2009: From the **Employees** menu, choose **Payroll Tax Forms & W-2s** and then click **Process Payroll Forms**.
3. In the Select Form Type window, choose **Federal form** and click **OK**.



4. In the Select Payroll Form window, choose **Quarterly Form 941/Sch. B**.



Be sure the **Quarter Ending** date is **3/31/2009**. (If you are attempting to complete the form before 3/31/2009, you should choose This Calendar Quarter from the Quarter drop-down so that the Quarter Ending date displays 3/31/2009.) Click **OK**.

5. Complete the Interview for Form 941. Be sure to supply the dollar amount for the **total COBRA premium assistance payments** you made between February 17 and March 31, 2009, and the **total number of individuals** for whom you made COBRA premium assistance payments.

Payroll Tax Form

Do you need a Schedule B?

Are you a semiweekly depositor OR a monthly depositor required to file **Schedule B**? Yes No

Check this box to print **Schedule B** regardless of applicability

To find out if you need a Schedule B, click the "Details about this form" link.

Answer the following questions for Form 941

Select the state code for the state where you made your deposits OR select "MU" if you made your deposits in multiple states **NM**

If you do not have to file returns in the future, check here
and enter the date that final wages were paid

You would not have to file returns in the future if you went out of business or stopped paying wages this year.

Check here if you have **no legal residence or principal place of business in any state**

Check here if you are an **exempt organization or government entity**

Reporting COBRA premium assistance payments (Form 941 Line 12a and 12b)

The American Recovery and Reinvestment Act of 2009 established an employer-provided subsidy for employees who involuntarily lose their jobs. Employers making COBRA premium assistance payments for assistance eligible individuals will need to report these payments as a credit against current quarter payroll liabilities. If the provision applies to you, complete the two lines below according to the instructions provided in "View details about this form."

Enter the **total COBRA premium assistance payments** you made

Enter the **total number of individuals** provided assistance payments reported on the line above

COBRA data entered above will automatically flow to the Form 941 Line 12a and 12b.

[View details about this form](#) [View filing and printing instructions](#)

Save and Close Save as PDF... Print for Your Records... <<< Previous Next >>> Check for Errors Submit Form...

6. Click **Check for Errors** to see errors or inconsistencies that QuickBooks may have found and to view and check the Form 941.

(Alternatively, you can click Next to skip error-checking at this time. QuickBooks will warn you if there are inconsistencies or errors when you choose Submit Form.)

Note that the COBRA premium assistance information you supplied in the interview is used to complete lines 12a and 12b on the Form 941.

If your COBRA premium assistance payments have resulted in an overpayment of your payroll tax liabilities for the quarter, you see the following error at the top of your Payroll Tax Form window:

The screenshot shows a software window titled "Payroll Tax Form". At the top, there is a yellow warning icon and a message: "There is 1 error in your form. Click the error description below to go to the field in error." To the right of this message are "Print" and "Close Errors" buttons. Below the message is a scrollable list of error descriptions, with the first one selected: "1. Form 941: Overpayment boxes -- Check one of the two boxes to request a refund or have your overpayment applied to the next return." Below the error list is a large empty rectangular box.

The main area of the window displays a tax form. At the top of this area is a note: "Note: Line 12 may apply if you have individuals who are eligible for COBRA continuation health coverage and have received a subsidy for 65% of the premium. For more information see 'Details about this form.'" The form has several lines with input fields and a total column on the right:

12 a	COBRA premium assistance payments	12 a	700.00	
12 b	Number of individuals provided COBRA premium assistance reported on line 12a	12 b	2	
13	Add lines 11 and 12a	13		537,059.14
14	Balance due. If line 10 is more than line 13, enter the difference here	14		
15	Overpayment. If line 13 is more than line 10, enter the difference here	15	700.00	

Below line 15, there is a "Check one:" section with two radio buttons: "Apply to next return" and "Send a refund".

At the bottom of the form area, there is a instruction: "You **Must** complete both pages of Form 941 and **Sign** it." Below this is a small text string: "qbmt2901.SCR 02/26/09".

The bottom of the window contains a navigation bar with several buttons: "View details about this form", "View filing and printing instructions", "<<< Previous", "Next >>>", "Save and Close", "Save as PDF...", "Print for Your Records...", "Goto Line", "Dump", "Check for Errors", and "Submit Form..."

7. If you have an overpayment, check **Apply to next return** to apply this amount to your tax liabilities for the next quarter or check **Send a refund** to receive a refund of this amount from the IRS.
8. Print, save, and submit the completed Form 941 as you normally do.

Note for Enhanced Payroll Users: Because the IRS needs to update their systems, e-filing for Form 941 is blocked until April 1, 2009.

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Revision History

Date	Revision Details
3/24/2009	Original document for reporting COBRA premium assistance payments for Q1 2009 only.
3/27/2009	Added What's Next section to announce upcoming QuickBooks solution for tracking COBRA subsidy credits.
4/16/2009	Major revision documenting QuickBooks solutions for tracking and claiming COBRA subsidy credits based on QuickBooks Payroll tax table update 20910.