



## **What Can HR Expect Now That Obama Has Signed the Economic Stimulus Package?**

### **SESCO White Paper**

President Barack Obama signed the \$787 billion economic stimulus package in Denver, Colorado on February 17, 2009. Passed by Congress on February 13, the American Recovery and Reinvestment Act of 2009 (H.R. 1) is aimed at combating the worst economic crisis since the Great Depression.

The House of Representatives passed the economic stimulus plan on February 13, 2009, voting 246 to 183 in favor of the measure. The Senate passed the plan late February 13 by a vote of 60-38. The Senate vote occurred under unusual circumstances as it was held open for several hours to accommodate a late arriving democratic senator who had returned home that day for a memorial service. Prior to the yea vote by Senator Sherrod Brown (D-Ohio), the tally stood at 59-38, one vote shy of the 60 needed to overcome a procedural point of order. Three republicans crossed party lines to back the measure, but democratic leadership found themselves needing Brown's vote as Senator Edward M. Kennedy (D-Mass) was too ill to make it to the Capitol.

Obama said that passage of the economic package “is a major milestone on our road to recovery.” The President, in his weekly radio address on February 14, thanked the members of Congress who voted for the bill. Obama said the package will save or create more than 3.5 million jobs over the next two years, boost business and consumer spending and establish the groundwork for long-term economic growth. He stressed, however, that the economic plan is only the beginning of action that must be taken to stabilize and reform the banking system and make credit available to families and businesses. “Our long-term economic growth demands that we tame our burgeoning federal deficit; that we invest in the things we need, and dispense with the things we don't,” Obama asserted. The President acknowledged that his agenda is challenging but that it is possible to “turn this crisis into opportunity.”

#### **Areas That Will Affect HR**

- **E-Verify** – The final version of the package does not contain a proposed amendment that would have required all stimulus-fund recipients to use the government’s E-Verify electronic work authorization eligibility program. However, the bill does include the Employ American Workers Act, which forbids employers receiving funding under the Troubled Assets Relief Program (TARP) from hiring additional H-1B nonimmigrant workers unless the employer complies with the H-1B “dependent employer” rules.
- **Executive Compensation** – Similarly, businesses receiving TARP funds are limited in the compensation packages they can offer their executive teams.

- **Health Care Coverage** – To help workers maintain health coverage, the stimulus bill provides a 65% subsidy for COBRA continuation premiums for up to nine months for workers who have been involuntarily terminated, and for their families. Employers who pay COBRA assistance payments for their separated employees would be able to recover the cost; they would receive a credit against their payroll tax deposits to offset the subsidy. The subsidy also applies to health care continuation coverage if required by states for small employers.

To qualify for premium assistance, a worker must be involuntarily terminated between September 1, 2008 and December 31, 2009. Employers are responsible for notifying individuals who are eligible for the COBRA subsidy. The subsidy would terminate upon offer of any new employer-sponsored health care coverage or Medicare eligibility. Workers who were involuntarily terminated between September 1, 2008 and enactment, but failed to initially elect COBRA because it was unaffordable, would be given an additional 60 days to elect COBRA and receive the subsidy.

- **Changes to Taxation of Unemployment Benefits** – Under current law, all federal unemployment benefits are subject to taxation. The average unemployment benefit is approximately \$300 per month. The stimulus bill temporarily suspends federal income tax on the first \$2,400 of unemployment benefits per recipient. Any unemployment benefits over \$2,400 will be subject to federal income tax. This proposal is in effect for taxable year 2009.

In addition, through December 31, 2009, the bill continues the Emergency Unemployment Compensation program, which provides up to 33 weeks of extended unemployment benefits to workers exhausting their regular benefits. The bill also increases unemployment weekly benefits by an additional \$25 through 2009.

The bill provides one-time grants to reward and encourage states enacting specific reforms designed to increase unemployment compensation coverage among low-wage, part-time and other jobless workers, as well as provides an additional \$500 million in administrative funding to all states.

Additional provisions extend unemployment compensation for 13 weeks to railroad workers, who are not included in the federal/state unemployment system and provide temporary federal assistance to states for the administration of the extended benefits program.

- **Employee Paychecks** – The “Making Work Pay” tax credit would cut taxes for more than 95% of working families in the United States. For 2009 and 2010, the bill would provide a refundable tax credit of up to \$400 for working individuals and \$800 for working families. This tax credit would be calculated at a rate of 6.2% of earned income, and would phase out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 for married couples filing jointly). Taxpayers can receive this benefit through a reduction in the amount of income tax that is withheld from their paychecks, or through claiming the credit on their tax returns.

- **Trade Protection for Jobs** – A provision was added to the final bill that would extend Trade Adjustment Assistance benefits for at least 160,000 more workers who lose their jobs because of increased imports or because workers move those jobs offshore.
- **Incentives to Hire Unemployed Veterans and Disconnected Youth** – Under current law, businesses are allowed to claim a work opportunity tax credit equal to 40% of the first \$6,000 of wages paid to employees of one of nine targeted groups. The bill would create two new targeted groups of prospective employees: (1) unemployed veterans; and (2) disconnected youth. An individual would qualify as an unemployed veteran if they were discharged or released from active duty from the Armed Forces during the five-year period prior to hiring and received unemployment compensation for more than four weeks during the year before being hired. An individual qualifies as a disconnected youth if they are between the ages of 16 and 25 and have not been regularly employed or attended school in the past 6 months.
- **Transit Benefits** – The stimulus package also includes a parity provision for transit benefits. Currently, tax-free fringe benefits that employers provide to employees for transit and parking are set at different dollar amounts. Once the stimulus package is passed, both the parking and transit benefits will be set at \$230 per month for 2009, and will be indexed equally for 2010. The transit benefits will also apply to federal employees.



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