



Last Updated: 1/8/10

[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 941/944/943 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 or 943).

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.

You have three options for handling COBRA subsidy payments, depending on your goals (click on an underlined item for detailed instructions):

Option	Goal	What to do
1*	<ul style="list-style-type: none"> • Keep it simple • Wait to take 65% credit with 941/944/943 filing 	<ul style="list-style-type: none"> • Manually track COBRA premium subsidy payments. • Manually enter COBRA subsidy payments on Form 941 or 944 or 943.
2	<ul style="list-style-type: none"> • Take 65% credit against regular federal 941/944/943 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 or Annual Form 943. • Record any COBRA subsidy credit refund.
3	<ul style="list-style-type: none"> • Take 65% credit against regular federal 941/944/943 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 or Annual Form 943. • Record any COBRA subsidy credit refund.

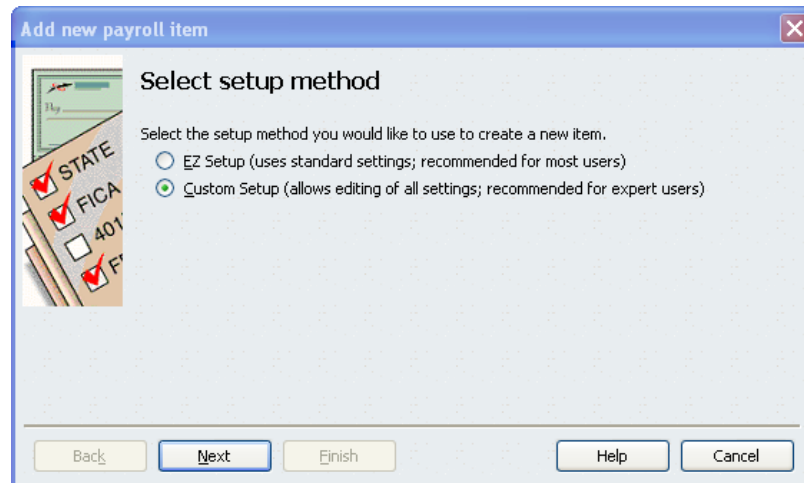
*Assisted Payroll users may not use this solution.

Set up the US - COBRA Subsidy Credit payroll item

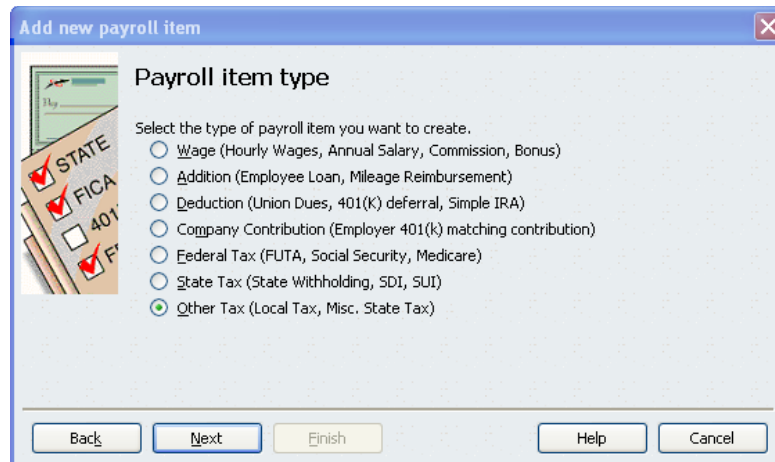
All QuickBooks Payroll users who make COBRA subsidy payments must set up the US - COBRA Subsidy Credit payroll item.

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**.

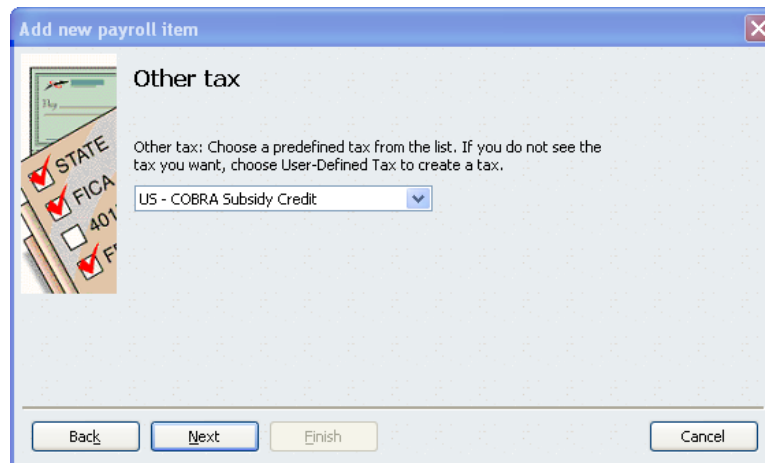


4. Select **Other Tax** and click **Next**.



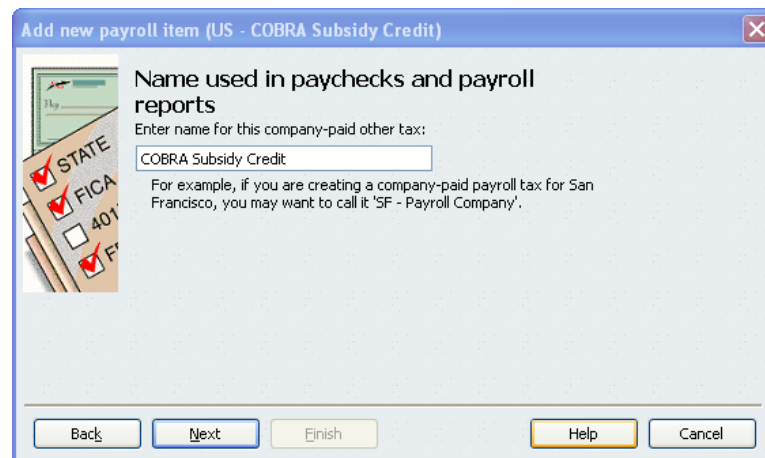
(Note that, although the COBRA subsidy credit is not technically a tax, QuickBooks has defined it here to simplify the workflow for taking the credit against payroll tax liabilities.)

- 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 an icon of a checklist with items "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 with "US - COBRA Subsidy Credit" selected. At the bottom are buttons for "Back", "Next", "Finish", and "Cancel".

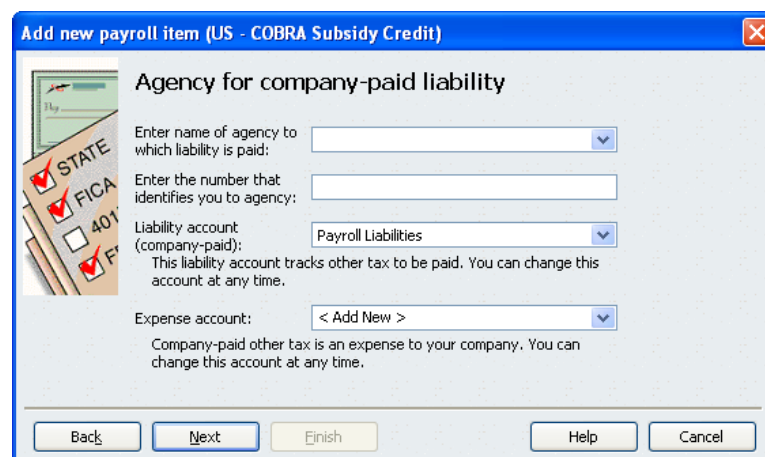
- Enter a name for this new payroll item or accept the default (US – COBRA Subsidy Credit). We've chosen "COBRA Subsidy Credit," but you can name this item whatever you want. Click **Next**.



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 checklist icon. 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 this 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".

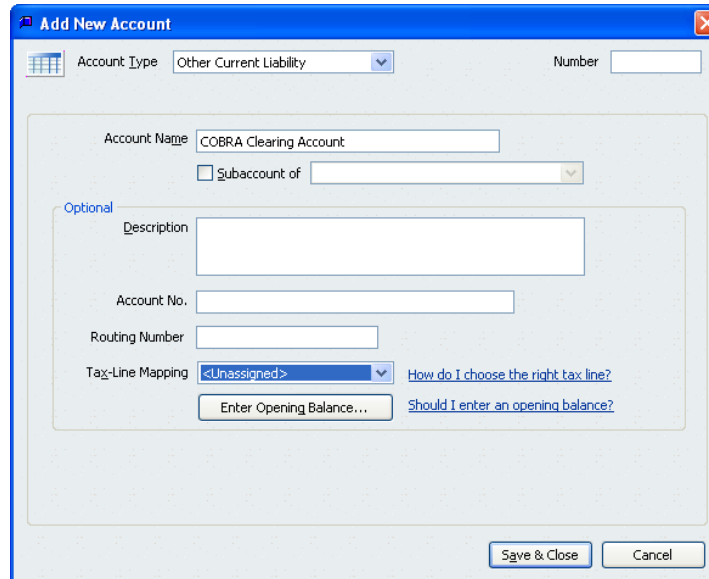
- Leave the name of agency and the identifying number fields blank; QuickBooks supplies the agency and identifying number associated with 94x taxes.

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.

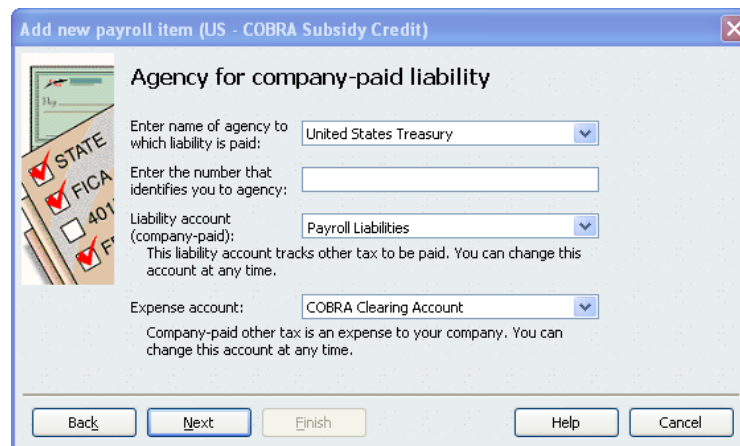


The screenshot shows a dialog box titled "Add new payroll item (US - COBRA Subsidy Credit)" with a close button in the top right. On the left is the same checklist icon. The main area is titled "Agency for company-paid liability" and contains the following fields and text: "Enter name of agency to which 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."; "Expense account:" with a dropdown menu showing "< Add New >" and a note: "Company-paid other tax is an expense to your company. You can change this account at any time." At the bottom are buttons for "Back", "Next", "Finish", "Help", and "Cancel".

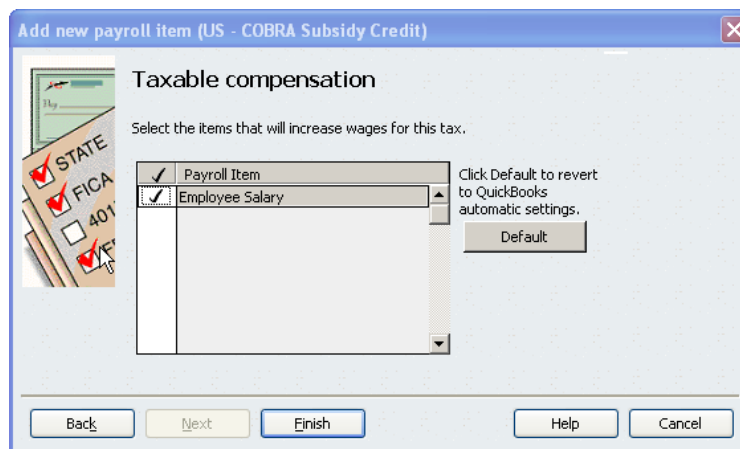
8. Choose **Other Current Liability** from the Account Type drop-down menu, and supply a name for the liability account. We've chosen "COBRA Clearing Account." Optionally, enter a Description of the account. Click **Save & Close**.



9. Click **Next**.



10. Click **Finish**.



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

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Record 35% premium payments from individuals

If you receive the 35% COBRA premium payments directly from assistance-eligible individuals, you may want to account for these payments in your QuickBooks Chart of Accounts and to balance them against the COBRA premium payments you make to the health-insurance provider and the COBRA subsidy credits you claim against your payroll taxes.

We recommend the following procedure, but you should feel free to modify it as appropriate for your business. (This step is not required in order to offset payroll tax liabilities with COBRA subsidy credits. However, if you receive 35% COBRA premium payments directly and you choose not to record those payments in the COBRA Clearing Account, you should not record vendor payments in that account, either.)

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 **Banking** menu, choose **Make Deposits**.
3. From the drop-down in the **Received From** column, choose the assistance-eligible individual from whom you received the 35% COBRA premium payment. In the **From Account** column, choose the **COBRA Clearing Account** (or whatever you named the expense account associated with your COBRA subsidy payments). Enter the remaining applicable information for the payment.

Received From	From Account	Memo	Chk...	Pmt Meth.	Class	Amount
Horton, Jane	COBRA Clearing Account		124	Check		350.00

4. Click **Save & New** to enter another deposit or **Save & Close** when you have finished entering deposits.

You can see the deposits credited to the COBRA Clearing Account by [looking at the account detail in your Chart of Accounts](#).

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Make premium payments to the health-insurance vendor

You may also want to account for your COBRA payments to the health-insurance vendor on behalf of assistance-eligible individuals in your QuickBooks Chart of Accounts and to balance these payments against the COBRA subsidy credits you claim against your payroll taxes.

Your payment to the health-insurance vendor may be:

- The full COBRA premium, when you pass on the 35% payment you received from assistance-eligible individuals. (If this situation applies to you, be sure you have also [recorded the 35% payments](#).)
- 65% of the COBRA premium (the COBRA subsidy), when assistance-eligible individuals pay the health-insurance vendor directly.

In either case, you probably will receive a bill for the appropriate amount from the health-insurance vendor.

We recommend the following procedure of entering bills in QuickBooks and then paying those bills, but you should feel free to modify it as appropriate for your business.

To enter bills:

1. Be sure you have [set up the US – COBRA Subsidy Credit payroll item](#) and its associated liability accounts.
2. From the **Vendors** menu, choose **Enter Bills**.
3. For each assistance-eligible individual for whom you must make a COBRA payment for this bill, enter a line in the **Expenses** tab. Select the **COBRA Clearing Account** in the Account column of each line. Put the amount you must pay for that individual in the **Amount** column, and note the individual's name in the **Memo** column.

Account	Amount	Memo	Customer:Job	Billable?	Class
COBRA Clearing Account	1,000.00	Jane Horton COBRA premium			

Important: If you are also making payments for active employees, be sure you do **not** record those payments against the COBRA Clearing Account.

4. Click **Save & Close**.

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 Quarterly Form 941 or Annual Form 944 or 943.

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, or 943 federal payroll tax liability, you can offset the amount you owe in the reporting period (quarter or year) by the amount of any COBRA subsidy credits you have not yet used in that reporting period (quarter or year).

To do this task:

For 941 and 944 filers

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. (Be sure the balance is in the same calendar year as the payroll tax liability.)
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.

Payroll Item	Amount	Memo
Social Security Employee	71.54	
Medicare Company	16.73	
Medicare Employee	16.73	
COBRA Subsidy Credit	0.00	

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 period (quarter or year) 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 or 944.

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.

The screenshot shows the 'Liability Payment - Bank account' window. At the top, it says 'Payment 1 of 1' and 'Print'. The 'Bank Account' is 'Bank account' and the 'Ending Balance' is '2,203.25'. The 'Pay to the Order of' is 'United States Treasury' and the 'Date' is '04/02/2009'. The amount is '\$ 0.00'. There is a 'Memo' field with '34-8295896'. Below the form, there is a 'Period' of '04/01/09 - 06/30/09' and a 'How do I e-pay?' link. There are radio buttons for 'E-payment' and 'Check', with 'Check' selected. A 'To be printed' checkbox is checked. Below this is a table of 'Payroll Liabilities' with a total of '\$0.00'. The table has columns for 'Payroll Item', 'Amount', and 'Memo'. The items listed are: Social Security Employee (71.54), Medicare Company (16.73), Medicare Employee (16.73), and COBRA Subsidy Credit (-301.54). At the bottom, there are buttons for 'Recalculate', 'Save & Close', 'Save & Next', and 'Cancel'.

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

6. Click **Save & Close**.
7. Create your liability payment checks or e-pay your liabilities as you normally do.

For 943 filers

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. (Be sure the balance is in the same calendar year as the payroll tax liability.)
2. From the Payroll Center (**Employees > Payroll Center**), choose **Related Payment Activities > Create Custom Liability Payments**.
3. Select the appropriate date range and click **OK**.

- Be sure **Review liability check to enter expenses/penalties** is selected, and select the payroll tax liabilities you want to pay, including the **COBRA Subsidy Credit** (or whatever you named the payroll item). Click **Create**.

Payroll Item	Payable To	Balance	Amt. To Pay
✓ AZ - Unemployment Company	Arizona Department of Labor	118.08	0.00
✓ AZ - Withholding	Arizona Department of Revenue	169.07	0.00
✓ Federal Unemployment	United States Treasurer	94.46	0.00
✓ Federal Withholding	United States Treasury	772.00	772.00
✓ Medicare Company	United States Treasury	171.22	171.22
✓ Medicare Employee	United States Treasury	171.22	171.22
✓ Social Security Company	United States Treasury	732.11	732.11
✓ Social Security Employee	United States Treasury	732.11	732.11
✓ US - COBRA Subsidy Credit	United States Treasury	-900.00	-900.00
		2,072.08	1,678.66

- In the Amount column, review the **COBRA Subsidy Credit** (or whatever you named the payroll item) to verify that it is the amount you're eligible to take against this liability payment and that it appears as a **negative** number. Be sure you are only reducing your liability payment by eligible subsidy amounts for the same calendar year as the liability period.

Payroll Item	Amount	Memo
Federal Withholding	772.00	
Medicare Company	171.22	
Medicare Employee	171.22	
Social Security Company	732.11	
Social Security Employee	732.11	
US - COBRA Subsidy Credit	-900.00	

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 943.

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.)

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

The screenshot shows the 'Liability Check - payroll checking' window. At the top, there are navigation buttons: Previous, Next, Print, Find, and History. Below that, the 'Bank Account' is set to 'payroll checking' and the 'Ending Balance' is -11,642.45. The check form includes the following fields:

- Pay to the Order of: United States Treasury
- Date: 12/21/2009
- Amount: \$ 1,978.66
- Text: One thousand nine hundred seventy-eight and 66/100* ***** Dollars
- Address: (empty field)
- Memo: 12-3456789

Below the check form, there is a 'Period' section with dates 09/01/2009 to 09/30/2009 and a 'To be printed' checkbox. A summary row shows 'Expenses' at \$0.00 and 'Payroll Liabilities' at \$1,978.66. A table lists the following items:

Payroll Item	Amount	Memo
Federal Withholding	772.00	
Medicare Company	171.22	
Medicare Employee	171.22	
Social Security Company	732.11	
Social Security Employee	732.11	
US - COBRA Subsidy Credit	-600.00	

At the bottom of the window, there are buttons for 'Clear Splits', 'Recalculate', 'Save & Close', and 'Revert'. An 'Order Checks' button is also visible on the right side.

7. Click **Save & Close**.
8. Create your liability payment checks 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.

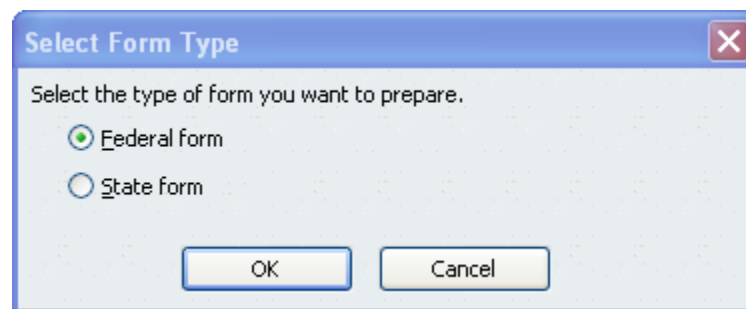
Assisted Payroll users: You can ignore this section. The Assisted Payroll service prepares and files Form 941 for you using any liability adjustments sent to the payroll service with payrolls by the last day of the quarter.

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.)

Enter the **total number of individuals** for whom you are reporting COBRA premium assistance payments. (Note: Count each individual who received assistance as **one**, regardless of whether the premium covered more than one person. For example, a premium covering a former employee, spouse, and two children would count as one individual. Further, each individual is reported only once per quarter. For example, an assistance eligible individual who made monthly premium payments during the quarter would only be reported as one individual.)

The screenshot shows a 'Payroll Tax Form' window with several sections. The 'Do you need a Schedule B?' section has 'No' selected. The 'Answer the following questions for Form 941' section has 'NM' selected for the state code. The 'Reporting COBRA premium assistance payments (Form 941 Line 12a and 12b)' section is highlighted with a red box and 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'. At the bottom of the window are buttons for 'Save and Close', 'Save as PDF...', 'Print for Your Records...', 'Check for Errors', and 'Submit Form...'. There are also 'Previous' and 'Next' navigation buttons.

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 description 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 this is a tax form with the following entries:

<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

Check one: Apply to next return Send a refund

You **Must** complete both pages of Form 941 and **Sign** it.

qbmt2901.SCR 02/26/09

View details about this form View filing and printing instructions

Save and Close Save as PDF... Print for Your Records... Goto Line Dump Check for Errors 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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File Annual Form 944

When you file your annual Form 944, you can offset the amount you owe in federal payroll taxes by the amount of any COBRA subsidy credits you have not yet used.

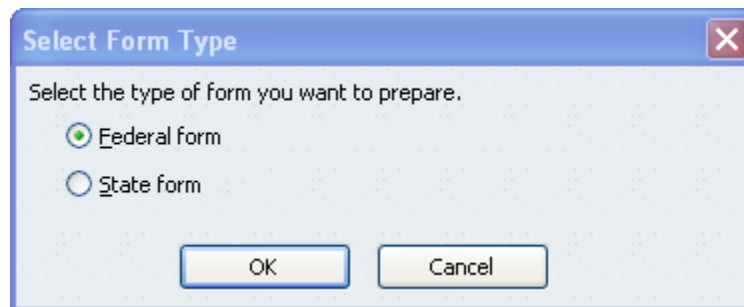
Assisted Payroll users: You can ignore this section. The Assisted Payroll service prepares and files Form 944 for you using any liability adjustments sent to the payroll service with payrolls by the last day of the year.

Basic users: Prepare your Form 944 by hand, using the payroll reports to determine your tax liability and COBRA subsidy credits.

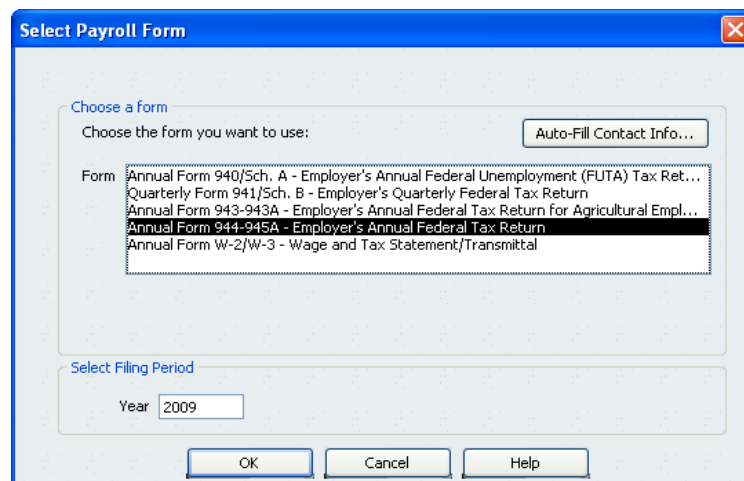
Standard and **Enhanced** users: QuickBooks supplies your tax liability and COBRA subsidy credits and calculates your balance due or your overpayment automatically on Form 944 when you follow the process described here.

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 **Annual Form 944-945A**.



5. Complete the Interview for Form 944. If you made liability adjustments for your COBRA subsidy amounts, QuickBooks supplies the amount of **total COBRA premium assistance payments**. Check that this amount 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.)

Enter the **total number of individuals** for whom you are reporting COBRA premium assistance payments. (Note: Count each individual who received assistance as **one**, regardless of whether the premium covered more than one person. For example, a premium covering a former employee, spouse, and two children would count as one individual. Further, each individual is reported only once per year. For example, an assistance eligible individual who made monthly premium payments during the year would only be reported as one individual.)

Payroll Tax Form

Answer the following questions for Form 944

Enter the state code for state in which deposits were made **only** if different from state in address OR select "MU" if you made your deposits in multiple states

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 quarter, for example.

Overpayment. If there is an overpayment check here to have overpayment applied to next return
or refunded

Check here if **NO wages are subject to social security and/or Medicare tax**
*Check this box only if all wages are not subject to social security and Medicare taxes.
See Circular E (IRS Pub. 15) for more information on exempt wages.*

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

Reporting COBRA premium assistance payments (Form 944 Line 11a and 11b)
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 900.00
Enter the **total number of individuals** provided assistance payments reported on the line above

COBRA data entered above will automatically flow to the Form 944 Line 11a and 11b.

Answer the following questions for Form 944-V

[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 Submit Form...

6. Click **Check for Errors** to see errors or inconsistencies that QuickBooks may have found and to view and check the Form 944.

(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 11a and 11b on the Form 944. 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 year, 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." Below the message is a text box containing the error description: "1 Form 944, PG1: Apply to next return - Check one of the two boxes to request a refund or have your overpayment applied to the next return." The main area of the form is a table with the following data:

c	Taxable Medicare wages and tips	11,808.19 x .029 =	342.44	
d	Total social security and Medicare taxes (Column 2, lines 4a + 4b + 4c = line 4d)			4d 1,806.66
5	Total taxes before adjustments (lines 2 + 4d = line 5)			5 2,578.66
6	Current year's adjustments			6
7	Total taxes after adjustments. Combine lines 5 and 6			7 2,578.66
8	Advance Earned Income Credit (EIC) payments made to employees			8
9	Total taxes after adjustment for advance EIC (line 7 minus line 8 = line 9)			9 2,578.66
10	Total deposits for this year, including overpayment applied from a prior year and overpayment applied from Form 944-X or Form 941-X			10 2,578.66
11a	COBRA premium assistance payments			11a 900.00
11b	Number of individuals provided COBRA premium assistance reported on line 11a	11b	4	
12	Add lines 10 and 11a			12 3,478.66
13	Balance due. If line 9 is more than line 12, enter the difference here			13
14	Overpayment. If line 12 is more than line 9, enter the difference here	14	900.00	

Check one: Apply to next return Send a refund

You Must complete both pages of Form 944 and Sign it.

qm944-1.SCR 12/02/09

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 Submit Form...

- If you have an overpayment, check **Apply to next return** to apply this amount to your tax liabilities for the next year or check **Send a refund** to request a refund of this amount from the IRS.
- Print, save, and submit the completed Form 944 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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File Annual Form 943

When you file your annual Form 943, you can offset the amount you owe in federal payroll taxes by the amount of any COBRA subsidy credits you have not yet used.

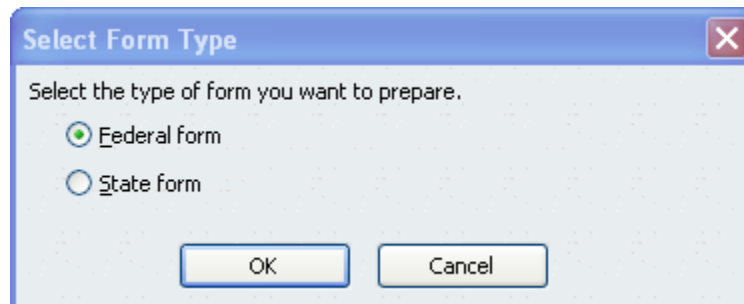
Assisted Payroll users: You can ignore this section. The Assisted Payroll service **does not** support preparing or filing Form 943 for you. You will need to prepare your Form 943 by hand, using the payroll reports to determine your tax liability and COBRA subsidy credits.

Basic users: Prepare your Form 943 by hand, using the payroll reports to determine your tax liability and COBRA subsidy credits.

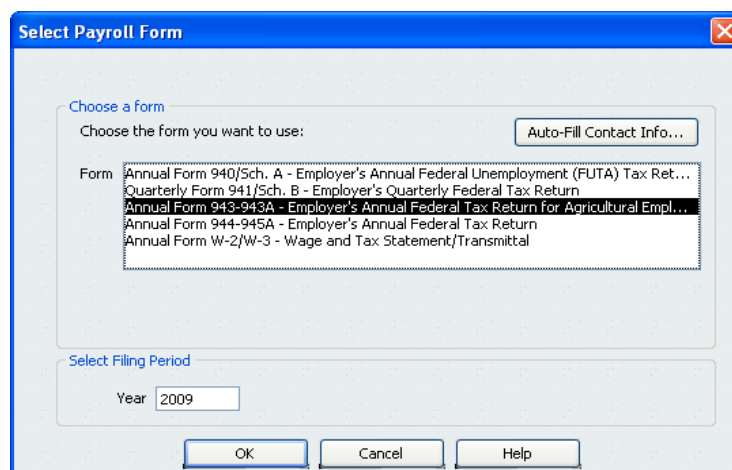
Standard and **Enhanced** users: QuickBooks supplies your tax liability and COBRA subsidy credits and calculates your balance due or your overpayment automatically on Form 943 when you follow the process described here.

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 **Annual Form 943-943A**.



5. Complete the Interview for Form 943. If you made liability adjustments for your COBRA subsidy amounts, QuickBooks supplies the amount of **total COBRA premium assistance payments**. Check that this amount 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.)

Enter the **total number of individuals** for whom you are reporting COBRA premium assistance payments. (Note: Count each individual who received assistance as **one**, regardless of whether the premium covered more than one person. For example, a premium covering a former employee, spouse, and two children would count as one individual. Further, each individual is reported only once per year. For example, an assistance eligible individual who made monthly premium payments during the year would only be reported as one individual.)

Payroll Tax Form

If you do not have to file returns in the future, check here

If address is different from prior return, check here

Overpayment. If there is an overpayment check here to have overpayment applied to next return or refunded

Check here if NO wages are subject to social security and/or Medicare tax

Check here if you are an exempt organization or government entity

Reporting COBRA premium assistance payments (Form 943 Line 13a and 13b)
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

Answer the following questions for Form 943-V

Required to make deposits at a financial institution or by electronic funds transfer? Yes No

Check this box to fill Form 943-V regardless of applicability

View details about this form View filing and printing instructions

<<< Previous Next >>>

Save and Close Save as PDF... Check for Errors Print...

6. Click **Check for Errors** to see errors or inconsistencies that QuickBooks may have found and to view and check the Form 943.

(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 13a and 13b on the Form 943. 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 year, you see the following error at the top of your Payroll Tax Form window:

The screenshot shows a software 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. 943-A Applied: - 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 with 15 rows of tax calculations. The table has two columns: a description of the tax item and a numerical value. The values are: 1 (March 12, 2009), 2 (11808.19), 3 (1464.22), 4 (11808.19), 5 (342.44), 6 (772.00), 7 (2578.66), 8 (0.00), 9 (2578.66), 10 (blank), 11 (2578.66), 12 (2578.66), 13a (900.00), 13b (4), 14 (3478.66), and 15 (blank). At the bottom of the table, there are two checkboxes: "Applied to next return or" (unchecked) and "Refunded" (unchecked). Below the table are several instructions and buttons: "View details about this form", "View filing and printing instructions", "<<< Previous", "Next >>>", "Save and Close", "Save as PDF...", "Check for Errors", and "Print...".

1	March 12, 2009	1	1
2	Total wages subject to social security tax	2	11808.19
3	Social security tax (multiply line 2 by 12.4% (.124))	3	1464.22
4	Total wages subject to Medicare tax	4	11808.19
5	Medicare tax (multiply line 4 by 2.9% (.029))	5	342.44
6	Federal income tax withheld	6	772.00
7	Total taxes before adjustments (add lines 3, 5, and 6)	7	2578.66
8	Current year's adjustments	8	0.00
9	Total taxes after adjustments (line 7 as adjusted by line 8)	9	2578.66
10	Advance earned income credit (EIC) payments made to employees, if any	10	
11	Net taxes (subtract line 10 from line 9)	11	2578.66
12	Total deposits for 2009, including overpayment applied from a prior year and overpayment applied from Form 943-X	12	2578.66
13 a	COBRA premium assistance payments	13 a	900.00
13 b	Number of people who received COBRA premium assistance payments reported on line 13a	13 b	4
14	Add lines 12 and 13a	14	3478.66
15	Balance due. If line 11 is more than 14, enter the difference here	15	
16	Overpayment. If line 14 is more than line 11, enter here \$ 900.00 and check if to be <input type="checkbox"/> Applied to next return or <input type="checkbox"/> Refunded		

- If you have an overpayment, check **Applied to next return** to apply this amount to your tax liabilities for the next year or check **Refunded** to request a refund of this amount from the IRS.
- Print, save, and submit the completed Form 943 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 or annual Form 944, it automatically includes your total COBRA subsidy credits. If this amount is larger than your total tax liabilities for the quarter (Form 941) or year (Form 944), the Assisted Payroll service requests a refund for you from the IRS.

Basic, Standard, and Enhanced users: If your quarterly Form 941 or annual Form 944 or 943 shows a total COBRA subsidy credit larger than your total tax liabilities for the quarter (Form 941) or year (Form 944/943), 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.

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. Select the **United States Treasury** (or whatever you have named this vendor) as the Vendor and the appropriate Refund Date and For Period Beginning date.
4. Enter the **Refund Date** and the appropriate **For Period Beginning** date. 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' and 'Deposit To', with 'Bank account' selected. 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 columns for Item Name, Amount, and Memo. The table contains one row: 'COBRA Subsidy Credit' with an amount of 348.46 and a memo 'Refund of COBRA subsidy from govt'.

Item Name	Amount	Memo
COBRA Subsidy Credit	348.46	Refund of COBRA subsidy from govt

5. Click **OK**.

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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.
1/8/2010	Added information on annual Forms 943 and 944; improved IRS web site links; removed information for reporting Q1 2009 only.