

# Taxing Times

Tax information for clients and friends of Stambaugh Ness, PC



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## IN THIS ISSUE

1. More Flexibility  
for Taxpayers

2. Quick  
Implementation of  
the American  
Recovery and  
Reinvestment Act of  
2009

3. Refunds

4. IRS Releases  
Information to Help  
Employers Claim  
COBRA Medical  
Coverage Credit

5. Department of  
Labor Announces  
Boost in Weekly  
Unemployment  
Benefit Amounts

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**By Tax Supervisor Kevin Eisenhart, CPA  
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## **IRS RESPONSE TO THE CURRENT ECONOMIC CLIMATE**

### *More Flexibility for Taxpayers*

In response to the news that unemployment has hit a 25-year high, IRS pledges to help taxpayers hit by the deepening recession. IRS personnel will work with taxpayers who have always been compliant in the past but are not able to meet their federal tax obligations because of job loss or other problems heightened by the current economic conditions.

IRS personnel now have more discretion to help and work with distressed taxpayers. This includes postponement of certain collection actions, added flexibility for missed payments under installment agreements, and prevention of defaults for taxpayers who have approved offers-in-compromise.

Business taxpayers are also experiencing hardships. It is predicted that the IRS will be confronted with an unprecedented number of bankruptcies and business workouts.

***CRYSTAL COMMENTS:** "Several years ago the IRS started promoting itself as a 'friendlier IRS', now they are pledging to be more flexible".*

### ***Quick Implementation of the American Recovery and Reinvestment Act of 2009***

The IRS has moved quickly to release revised withholding tables to reflect the new Making Work Pay Credit. Eligible employees



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should begin seeing more money in their paychecks because of reduced withholding by April.

***CRYSTAL COMMENTS:** "On March 3<sup>rd</sup>, the IRS issued Publication 15-T to be used by employers to implement the changes to the tax law made by the American Recovery and Reinvestment Act of 2009."*

***Refunds***

The recession is reflected by a large number of taxpayers filing early to receive their refunds quicker. Tax refunds can act as an economic stimulus, traditionally showing an upswing in consumer spending after refunds are received.

***IRS Releases Information to Help Employers Claim COBRA Medical Coverage Credit***

The IRS released new detailed information to help employers claim credit for the COBRA medical premiums they pay for their laid off employees. This information is on the [IRS website](#) and includes an extensive set of questions and answers for employers.

IRS released the new, revised Form 941 plus instructions to reflect the COBRA provisions. Employers providing COBRA continuation health coverage to employees may recover the cost to the extent of 65% of the premium amount for up to nine months. Form 941 will be used to deduct the cost from their payroll tax deposits. The premium reimbursement is only provided with respect to involuntary terminations that occur on or after September 1, 2008, and before January 1, 2010.

Employers must maintain supporting documentation for the credit claimed. This includes:

- Documentation of receipt of the employee's 35% share of the premium.
- In the case of insured plans: A copy of the invoice or other supporting statements from the insurance carrier and proof of timely payment of the full premium to the insurance carrier.
- Declaration of the former employee's involuntary termination.

More information about COBRA payments and the new law is also available on the [Department of Labor's website](#).

***Department of Labor Announces Boost in Weekly Unemployment Benefit Amounts***

As provided for in the American Recovery and Reinvestment Act of 2009, the new Federal Additional Compensation program will provide a \$25 weekly increase in unemployment compensation for eligible workers. These extra benefits are 100% federally-funded.

**For more information about any of these tax topics or other tax-related concerns, please contact Kevin or Crystal or your own SNPC tax professional at 717-757-6999/800-745-8233. You may also reply to this email.**