



# Accounting for COBRA Subsidies Recommended Procedures in WolfePak

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How to handle situations where employees participating in COBRA health insurance receive a 65% federal subsidy, where the employer pays the employee's insurance in full and receives credit for the 65% subsidy amount on their IRS form 941 Quarterly Report.

In this example below, the ex-employee's TOTAL insurance cost for COBRA is assumed to be \$1,000.00 per month (\$350.00 paid by the employee, \$650.00 paid by government subsidy).

1. You **receive a check from the employee** for their share (\$350.00) of the monthly health insurance amount.

	<u>Debit</u>	<u>Credit</u>
Cash	350.00	
Employee A/R		350.00

2. You setup a **new asset account** called **IRS COBRA Receivable** (this is the money you expect to receive back as a credit on your 941).
3. You **pay the insurance carrier** for the monthly premium of all your employees (including the full premium for the COBRA employee).

Insurance Expense (non-COBRA employees)	5,000.00	
Employee A/R (COBRA employee)	350.00	
IRS COBRA Receivable	650.00	
A/P-Insurance Company		6,000.00

4. You **file your 941**. On the WolfePak screen where it asks for "Total deposits for quarter", you will enter your "normal" 941 deposits. When it asks for the COBRA credit amount, you will enter the amount in your new account called IRS COBRA Receivable. Also enter the # of employees currently on COBRA insurance.

You should have an overpayment on your 941 of exactly the same amount of money that is in the IRS COBRA Receivable account. Take the option when printing the 941 to "Apply overpayments to: refund" to have the amount refunded from the IRS.

5. You **receive a check from the IRS** for the overpayment of \$650.00 from your 941, apply that amount to your new IRS COBRA Receivable account and the balance should then be zero in this account.