



TaxNewsFlash

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Notice 2021-31: Premium assistance and tax credit for COBRA continuation of health coverage (Q&As)

The IRS today released an advance version of Notice 2021-31 as guidance regarding tax relief provided by the “American Rescue Plan Act of 2021” (Pub. L. No. 117-2, enacted March 11, 2021) for COBRA-related continuation of health coverage.

Notice 2021-31 [PDF 287 KB] (41 pages) provides guidance in a “question and answer” (Q&A) format for employers, plan administrators, and health insurers regarding the new credit available to them for providing continuation health coverage to certain individuals under COBRA.*

For a discussion of the COBRA premium subsidy and employer tax credit, read [TaxNewsFlash](#)

Summary

As the IRS summarized in a related release ([IR-2021-115](#)):

- The March 2021 legislation provides a temporary 100% reduction in the premium that individuals would have to pay when they elect COBRA continuation health coverage following a reduction in work hours or an involuntary termination of employment.
- The new law also provides a corresponding tax credit for the entities that maintain group health plans—such as employers, multiemployer plans, and insurers.
- The 100% reduction in the premium and the credit are also available with respect to continuation coverage provided for those events under comparable state laws—sometimes referred to as “mini-COBRA.”

Notice 2021-31 provides information regarding the calculation of the credit, the eligibility of individuals, the premium assistance period, and other information vital to employers, plan administrators, and insurers to understand the credit.

*COBRA provides certain former employees, retirees, spouses, former spouses, and dependent children the right to temporary continuation of health coverage at group rates. COBRA generally covers health plans maintained by private-sector employers with 20 or more full and part-time employees. It also covers employee organizations or

federal, state or local governments. State “mini-COBRA” laws often provide similar benefits for insured small employers not subject to federal COBRA.

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