

such Code for taxes imposed with respect to any liquid after September 30, 2005, and before the date of the enactment of this Act [Dec. 29, 2007] under section 4041(d)(1) or 4042 of such Code at the Leaking Underground Storage Tank Trust Fund financing rate to the extent that tax was imposed with respect to such liquid under section 4081 at the Leaking Underground Storage Tank Trust Fund financing rate.”

§ 6431. Credit for qualified bonds allowed to issuer

(a) In general

In the case of a qualified bond issued before January 1, 2011, the issuer of such bond shall be allowed a credit with respect to each interest payment under such bond which shall be payable by the Secretary as provided in subsection (b).

(b) Payment of credit

The Secretary shall pay (contemporaneously with each interest payment date under such bond) to the issuer of such bond (or to any person who makes such interest payments on behalf of the issuer) 35 percent of the interest payable under such bond on such date.

(c) Application of arbitrage rules

For purposes of section 148, the yield on a qualified bond shall be reduced by the credit allowed under this section.

(d) Interest payment date

For purposes of this subsection, the term “interest payment date” means each date on which interest is payable by the issuer under the terms of the bond.

(e) Qualified bond

For purposes of this subsection, the term “qualified bond” has the meaning given such term in section 54AA(g).

(f) Application of section to certain qualified tax credit bonds

(1) In general

In the case of any specified tax credit bond—

(A) such bond shall be treated as a qualified bond for purposes of this section,

(B) subsection (a) shall be applied without regard to the requirement that the qualified bond be issued before January 1, 2011,

(C) the amount of the payment determined under subsection (b) with respect to any interest payment due under such bond shall be equal to the lesser of—

(i) the amount of interest payable under such bond on such date, or

(ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under section 54A(b)(3),

(D) interest on any such bond shall be includible in gross income for purposes of this title,

(E) no credit shall be allowed under section 54A with respect to such bond,

(F) any payment made under subsection (b) shall not be includible as income for purposes of this title, and

(G) the deduction otherwise allowed under this title to the issuer of such bond with re-

spect to interest paid under such bond shall be reduced by the amount of the payment made under this section with respect to such interest.

(2) Special rule for new clean renewable energy bonds and qualified energy conservation bonds

In the case of any specified tax credit bond described in clause (i) or (ii) of paragraph (3)(A), the amount determined under paragraph (1)(C)(ii) shall be 70 percent of the amount so determined without regard to this paragraph and sections 54C(b) and 54D(b).

(3) Specified tax credit bond

For purposes of this subsection, the term “specified tax credit bond” means any qualified tax credit bond (as defined in section 54A(d)) if—

(A) such bond is—

(i) a new clean renewable energy bond (as defined in section 54C),

(ii) a qualified energy conservation bond (as defined in section 54D),

(iii) a qualified zone academy bond (as defined in section 54E) determined without regard to any allocation relating to the national zone academy bond limitation for 2011 or any carryforward of such allocation, or

(iv) a qualified school construction bond (as defined in section 54F), and

(B) the issuer of such bond makes an irrevocable election to have this subsection apply.

(Added Pub. L. 111-5, div. B, title I, §1531(b), Feb. 17, 2009, 123 Stat. 359; amended Pub. L. 111-147, title III, §301(a), Mar. 18, 2010, 124 Stat. 77; Pub. L. 111-312, title VII, §758(b), Dec. 17, 2010, 124 Stat. 3323.)

AMENDMENTS

2010—Subsec. (f). Pub. L. 111-147 added subsec. (f).

Subsec. (f)(3)(A)(iii). Pub. L. 111-312 inserted “determined without regard to any allocation relating to the national zone academy bond limitation for 2011 or any carryforward of such allocation” after “54E”).

EFFECTIVE DATE OF 2010 AMENDMENT

Amendment by Pub. L. 111-312 applicable to obligations issued after Dec. 31, 2010, see section 758(c) of Pub. L. 111-312, set out as a note under section 54E of this title.

Pub. L. 111-147, title III, §301(c)(1), Mar. 18, 2010, 124 Stat. 78, provided that: “The amendment made by subsection (a) [amending this section] shall apply to bonds issued after the date of the enactment of this Act [Mar. 18, 2010].”

EFFECTIVE DATE

Section applicable to obligations issued after Feb. 17, 2009, see section 1531(e) of Pub. L. 111-5, set out as an Effective Date of 2009 Amendment note under section 54 of this title.

§ 6432. COBRA premium assistance

(a) In general

The person to whom premiums are payable under COBRA continuation coverage shall be reimbursed as provided in subsection (c) for the amount of premiums not paid by assistance eli-

gible individuals by reason of section 3001(a) of title III of division B of the American Recovery and Reinvestment Act of 2009.

(b) Person entitled to reimbursement

For purposes of subsection (a), except as otherwise provided by the Secretary, the person to whom premiums are payable under COBRA continuation coverage shall be treated as being—

(1) in the case of any group health plan which is a multiemployer plan (as defined in section 3(37) of the Employee Retirement Income Security Act of 1974), the plan,

(2) in the case of any group health plan not described in paragraph (1)—

(A) which is subject to the COBRA continuation provisions contained in—

- (i) the Internal Revenue Code of 1986,
- (ii) the Employee Retirement Income Security Act of 1974,
- (iii) the Public Health Service Act, or
- (iv) title 5, United States Code, or

(B) under which some or all of the coverage is not provided by insurance,

the employer maintaining the plan, and

(3) in the case of any group health plan not described in paragraph (1) or (2), the insurer providing the coverage under the group health plan.

(c) Method of reimbursement

Except as otherwise provided by the Secretary—

(1) Treatment as payment of payroll taxes

Each person entitled to reimbursement under subsection (a) (and filing a claim for such reimbursement at such time and in such manner as the Secretary may require) shall be treated for purposes of this title and section 1324(b)(2) of title 31, United States Code, as having paid to the Secretary, on the date that the assistance eligible individual's premium payment is received, payroll taxes in an amount equal to the portion of such reimbursement which relates to such premium. To the extent that the amount treated as paid under the preceding sentence exceeds the amount of such person's liability for such taxes, the Secretary shall credit or refund such excess in the same manner as if it were an overpayment of such taxes.

(2) Overstatements

Any overstatement of the reimbursement to which a person is entitled under this section (and any amount paid by the Secretary as a result of such overstatement) shall be treated as an underpayment of payroll taxes by such person and may be assessed and collected by the Secretary in the same manner as payroll taxes.

(3) Reimbursement contingent on payment of remaining premium

No reimbursement may be made under this section to a person with respect to any assistance eligible individual until after the reduced premium required under section 3001(a)(1)(A) of title III of division B of the American Recovery and Reinvestment Act of 2009 with respect to such individual has been received.

(d) Definitions

For purposes of this section—

(1) Payroll taxes

The term “payroll taxes” means—

(A) amounts required to be deducted and withheld for the payroll period under section 3402 (relating to wage withholding),

(B) amounts required to be deducted for the payroll period under section 3102 (relating to FICA employee taxes), and

(C) amounts of the taxes imposed for the payroll period under section 3111 (relating to FICA employer taxes).

(2) Person

The term “person” includes any governmental entity.

(e) Employer determination of qualifying event as involuntary termination

For purposes of this section, in any case in which—

(1) based on a reasonable interpretation of section 3001(a)(3)(C) of division B of the American Recovery and Reinvestment Act of 2009 and administrative guidance thereunder, an employer determines that the qualifying event with respect to COBRA continuation coverage for an individual was involuntary termination of a covered employee's employment, and

(2) the employer maintains supporting documentation of the determination, including an attestation by the employer of involuntary termination with respect to the covered employee,

the qualifying event for the individual shall be deemed to be involuntary termination of the covered employee's employment.

(f) Reporting

Each person entitled to reimbursement under subsection (a) for any period shall submit such reports (at such time and in such manner) as the Secretary may require, including—

(1) an attestation of involuntary termination of employment for each covered employee on the basis of whose termination entitlement to reimbursement is claimed under subsection (a),

(2) a report of the amount of payroll taxes offset under subsection (a) for the reporting period and the estimated offsets of such taxes for the subsequent reporting period in connection with reimbursements under subsection (a), and

(3) a report containing the TINs of all covered employees, the amount of subsidy reimbursed with respect to each covered employee and qualified beneficiaries, and a designation with respect to each covered employee as to whether the subsidy reimbursement is for coverage of 1 individual or 2 or more individuals.

(g) Regulations

The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out this section, including—

(1) the requirement to report information or the establishment of other methods for verifying the correct amounts of reimbursements under this section, and

(2) the application of this section to group health plans that are multiemployer plans (as defined in section 3(37) of the Employee Retirement Income Security Act of 1974).

(Added Pub. L. 111-5, div. B, title III, §3001(a)(12)(A), Feb. 17, 2009, 123 Stat. 461; amended Pub. L. 111-144, §3(b)(5)(C), Mar. 2, 2010, 124 Stat. 45.)

REFERENCES IN TEXT

The American Recovery and Reinvestment Act of 2009, referred to in subsecs. (a), (c)(3), and (e)(1), is Pub. L. 111-5, Feb. 17, 2009, 123 Stat. 115. Section 3001(a) of title III of division B of the Act enacted this section and sections 139C and 6720C of this title, amended section 35 of this title, and enacted provisions set out a note below. Section 3001(a)(1)(A), (3)(C) of the Act is set out as a note below. For complete classification of this Act to the Code, see Short Title of 2009 Amendment note set out under section 1 of this title and Tables.

The Employee Retirement Income Security Act of 1974, referred to in subsecs. (b)(1), (2)(A)(ii) and (g)(2), is Pub. L. 93-406, Sept. 2, 1974, 88 Stat. 829, which is classified principally to chapter 18 (§1001 et seq.) of Title 29, Labor. Section 3(37) of the Act is classified to section 1002(37) of Title 29. For complete classification of this Act to the Code, see Short Title note set out under section 1001 of Title 29 and Tables.

The Public Health Service Act, referred to in subsec. (b)(2)(A)(iii), is act July 1, 1944, ch. 373, 58 Stat. 682, which is classified generally to chapter 6A (§201 et seq.) of Title 42, The Public Health and Welfare. For complete classification of this Act to the Code, see Short Title note set out under section 201 of Title 42 and Tables.

AMENDMENTS

2010—Subsec. (a). Pub. L. 111-144, §3(b)(5)(C)(i), substituted “section 3001(a) of title III of division B of the American Recovery and Reinvestment Act of 2009” for “section 3002(a) of the Health Insurance Assistance for the Unemployed Act of 2009”.

Subsec. (c)(3). Pub. L. 111-144, §3(b)(5)(C)(ii), substituted “section 3001(a)(1)(A) of title III of division B of the American Recovery and Reinvestment Act of 2009” for “section 3002(a)(1)(A) of such Act”.

Subsecs. (e) to (g). Pub. L. 111-144, §3(b)(5)(C)(iii), added subsec. (e) and redesignated former subsecs. (e) and (f) as (f) and (g), respectively.

EFFECTIVE DATE OF 2010 AMENDMENT

Pub. L. 111-144, §3(c), Mar. 2, 2010, 124 Stat. 45, provided that: “The amendments made by this section [amending this section and sections 35, 139C, and 6720C of this title, and amending provisions set out as a note under this section] shall take effect as if included in the provisions of section 3001 of division B of the American Recovery and Reinvestment Act of 2009 [Pub. L. 111-5, set out below] to which they relate, except that—

“(1) the amendments made by subsection (b)(1) [amending provisions set out as a note under this section] shall apply to periods of coverage beginning after the date of the enactment of this Act [Mar. 2, 2010];

“(2) the amendments made by subsection (b)(2) [amending provisions set out as a note under this section] shall take effect as if included in the amendments made by section 1010 of division B of the Department of Defense Appropriations Act, 2010 [Pub. L. 111-118, amending provisions set out a note under this section]; and

“(3) the amendments made by subsections (b)(3) and (b)(4) [amending provisions set out as a note under this section] shall take effect on the date of the enactment of this Act [Mar. 2, 2010].”

EFFECTIVE DATE

Section applicable to premiums to which section 3001(a)(1)(A) of Pub. L. 111-5, set out as a note below,

applies, see section 3001(a)(12)(D) of Pub. L. 111-5, set out as a note below.

PREMIUM ASSISTANCE FOR COBRA BENEFITS

Pub. L. 111-5, div. B, title III, §3001, Feb. 17, 2009, 123 Stat. 455, as amended by Pub. L. 111-118, div. B, §1010(a)-(d), Dec. 19, 2009, 123 Stat. 3472, 3473; Pub. L. 111-144, §3(a), (b)(1)-(4), Mar. 2, 2010, 124 Stat. 43, 44; Pub. L. 111-157, §3(a), (b), Apr. 15, 2010, 124 Stat. 1117, provided that:

“(a) PREMIUM ASSISTANCE FOR COBRA CONTINUATION COVERAGE FOR INDIVIDUALS AND THEIR FAMILIES.—

“(1) PROVISION OF PREMIUM ASSISTANCE.—

“(A) REDUCTION OF PREMIUMS PAYABLE.—In the case of any premium for a period of coverage beginning on or after the date of the enactment of this Act [Feb. 17, 2009] for COBRA continuation coverage with respect to any assistance eligible individual, such individual shall be treated for purposes of any COBRA continuation provision as having paid the amount of such premium if such individual pays (or a person other than such individual's employer pays on behalf of such individual) 35 percent of the amount of such premium (as determined without regard to this subsection).

“(B) PLAN ENROLLMENT OPTION.—

“(i) IN GENERAL.—Notwithstanding the COBRA continuation provisions, an assistance eligible individual may, not later than 90 days after the date of notice of the plan enrollment option described in this subparagraph, elect to enroll in coverage under a plan offered by the employer involved, or the employee organization involved (including, for this purpose, a joint board of trustees of a multiemployer trust affiliated with one or more multiemployer plans), that is different than coverage under the plan in which such individual was enrolled at the time the qualifying event occurred, and such coverage shall be treated as COBRA continuation coverage for purposes of the applicable COBRA continuation coverage provision.

“(ii) REQUIREMENTS.—An assistance eligible individual may elect to enroll in different coverage as described in clause (i) only if—

“(I) the employer involved has made a determination that such employer will permit assistance eligible individuals to enroll in different coverage as provided for this subparagraph;

“(II) the premium for such different coverage does not exceed the premium for coverage in which the individual was enrolled at the time the qualifying event occurred;

“(III) the different coverage in which the individual elects to enroll is coverage that is also offered to the active employees of the employer at the time at which such election is made; and

“(IV) the different coverage is not—

“(aa) coverage that provides only dental, vision, counseling, or referral services (or a combination of such services);

“(bb) a flexible spending arrangement (as defined in section 106(c)(2) of the Internal Revenue Code of 1986); or

“(cc) coverage that provides coverage for services or treatments furnished in an on-site medical facility maintained by the employer and that consists primarily of first-aid services, prevention and wellness care, or similar care (or a combination of such care).

“(C) PREMIUM REIMBURSEMENT.—For provisions providing the balance of such premium, see section 6432 of the Internal Revenue Code of 1986, as added by paragraph (12).

“(2) LIMITATION OF PERIOD OF PREMIUM ASSISTANCE.—

“(A) IN GENERAL.—Paragraph (1)(A) shall not apply with respect to any assistance eligible individual for months of coverage beginning on or after the earlier of—

“(i) the first date that such individual is eligible for coverage under any other group health plan (other than coverage consisting of only dental, vision, counseling, or referral services (or a combination thereof), coverage under a flexible spending arrangement (as defined in section 106(c)(2) of the Internal Revenue Code of 1986), or coverage of treatment that is furnished in an on-site medical facility maintained by the employer and that consists primarily of first-aid services, prevention and wellness care, or similar care (or a combination thereof)) or is eligible for benefits under title XVIII of the Social Security Act [42 U.S.C. 1395 et seq.], or

“(ii) the earliest of—

“(I) the date which is 15 months after the first day that paragraph (1)(A) applies with respect to such individual,

“(II) the date following the expiration of the maximum period of continuation coverage required under the applicable COBRA continuation coverage provision, or

“(III) the date following the expiration of the period of continuation coverage allowed under paragraph (4)(B)(ii).

“(B) TIMING OF ELIGIBILITY FOR ADDITIONAL COVERAGE.—For purposes of subparagraph (A)(i), an individual shall not be treated as eligible for coverage under a group health plan before the first date on which such individual could be covered under such plan.

“(C) NOTIFICATION REQUIREMENT.—An assistance eligible individual shall notify in writing the group health plan with respect to which paragraph (1)(A) applies if such paragraph ceases to apply by reason of subparagraph (A)(i). Such notice shall be provided to the group health plan in such time and manner as may be specified by the Secretary of Labor.

“(3) ASSISTANCE ELIGIBLE INDIVIDUAL.—For purposes of this section, the term ‘assistance eligible individual’ means any qualified beneficiary if—

“(A) such qualified beneficiary is eligible for COBRA continuation coverage related to a qualifying event occurring during the period that begins with September 1, 2008, and ends with May 31, 2010,

“(B) such qualified beneficiary elects such coverage, and

“(C) the qualifying event with respect to the COBRA continuation coverage consists of the involuntary termination of the covered employee’s employment and occurred during such period or consists of a reduction of hours followed by such an involuntary termination of employment during such period (as described in paragraph (17)(C)).

“(4) EXTENSION OF ELECTION PERIOD AND EFFECT ON COVERAGE.—

“(A) IN GENERAL.—For purposes of applying section 605(a) of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1165(a)], section 4980B(f)(5)(A) of the Internal Revenue Code of 1986, section 2205(a) of the Public Health Service Act [42 U.S.C. 300bb-5(a)], and section 8905a(c)(2) of title 5, United States Code, in the case of an individual who does not have an election of COBRA continuation coverage in effect on the date of the enactment of this Act [Feb. 17, 2009] but who would be an assistance eligible individual if such election were so in effect, such individual may elect the COBRA continuation coverage under the COBRA continuation coverage provisions containing such sections during the period beginning on the date of the enactment of this Act and ending 60 days after the date on which the notification required under paragraph (7)(C) is provided to such individual.

“(B) COMMENCEMENT OF COVERAGE; NO REACH-BACK.—Any COBRA continuation coverage elected by a qualified beneficiary during an extended election period under subparagraph (A)—

“(i) shall commence with the first period of coverage beginning on or after the date of the enactment of this Act [Feb. 17, 2009], and

“(ii) shall not extend beyond the period of COBRA continuation coverage that would have been required under the applicable COBRA continuation coverage provision if the coverage had been elected as required under such provision.

“(C) PREEXISTING CONDITIONS.—With respect to a qualified beneficiary who elects COBRA continuation coverage pursuant to subparagraph (A), the period—

“(i) beginning on the date of the qualifying event, and

“(ii) ending with the beginning of the period described in subparagraph (B)(i),

shall be disregarded for purposes of determining the 63-day periods referred to in section 701(c)(2) of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1181(c)(2)], section 9801(c)(2) of the Internal Revenue Code of 1986, and section 2701(c)(2) of the Public Health Service Act [former 42 U.S.C. 300gg(c)(2); now 42 U.S.C. 300gg-3(c)(2)].

“(5) EXPEDITED REVIEW OF DENIALS OF PREMIUM ASSISTANCE.—In any case in which an individual requests treatment as an assistance eligible individual and is denied such treatment by the group health plan, the Secretary of Labor (or the Secretary of Health and Human Services in connection with COBRA continuation coverage which is provided other than pursuant to part 6 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1161 et seq.]), in consultation with the Secretary of the Treasury, shall provide for expedited review of such denial. An individual shall be entitled to such review upon application to such Secretary in such form and manner as shall be provided by such Secretary. Such Secretary shall make a determination regarding such individual’s eligibility within 15 business days after receipt of such individual’s application for review under this paragraph. Either Secretary’s determination upon review of the denial shall be de novo and shall be the final determination of such Secretary. A reviewing court shall grant deference to such Secretary’s determination. The provisions of this paragraph, paragraphs (1) through (4), and paragraph (7) shall be treated as provisions of title I of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1001 et seq.] for purposes of part 5 of subtitle B of such title [29 U.S.C. 1131 et seq.]. In addition to civil actions that may be brought to enforce applicable provisions of such Act [29 U.S.C. 1001 et seq.] or other laws, the appropriate Secretary or an affected individual may bring a civil action to enforce such determinations and for appropriate relief. In addition, such Secretary may assess a penalty against a plan sponsor or health insurance issuer of not more than \$110 per day for each failure to comply with such determination of such Secretary after 10 days after the date of the plan sponsor’s or issuer’s receipt of the determination.

“(6) DISREGARD OF SUBSIDIES FOR PURPOSES OF FEDERAL AND STATE PROGRAMS.—Notwithstanding any other provision of law, any premium reduction with respect to an assistance eligible individual under this subsection shall not be considered income or resources in determining eligibility for, or the amount of assistance or benefits provided under, any other public benefit provided under Federal law or the law of any State or political subdivision thereof.

“(7) NOTICES TO INDIVIDUALS.—

“(A) GENERAL NOTICE.—

“(i) IN GENERAL.—In the case of notices provided under section 606(a)(4) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1166[(a)](4)), section 4980B(f)(6)(D) of the Internal Revenue Code of 1986, section 2206(4) of the Public Health Service Act (42 U.S.C. 300bb-6(4)), or section 8905a(f)(2)(A) of title 5, United States Code, with respect to individuals who, during the period described in paragraph (3)(A), have a qualifying event relating to COBRA continuation coverage, the requirements of such sections shall not be

treated as met unless such notices include an additional notification to the recipient of—

“(I) the availability of premium reduction with respect to such coverage under this subsection, and

“(II) the option to enroll in different coverage if the employer permits assistance eligible individuals to elect enrollment in different coverage (as described in paragraph (1)(B)).

“(ii) ALTERNATIVE NOTICE.—In the case of COBRA continuation coverage to which the notice provision under such sections does not apply, the Secretary of Labor, in consultation with the Secretary of the Treasury and the Secretary of Health and Human Services, shall, in consultation with administrators of the group health plans (or other entities) that provide or administer the COBRA continuation coverage involved, provide rules requiring the provision of such notice.

“(iii) FORM.—The requirement of the additional notification under this subparagraph may be met by amendment of existing notice forms or by inclusion of a separate document with the notice otherwise required.

“(B) SPECIFIC REQUIREMENTS.—Each additional notification under subparagraph (A) shall include—

“(i) the forms necessary for establishing eligibility for premium reduction under this subsection,

“(ii) the name, address, and telephone number necessary to contact the plan administrator and any other person maintaining relevant information in connection with such premium reduction,

“(iii) a description of the extended election period provided for in paragraph (4)(A),

“(iv) a description of the obligation of the qualified beneficiary under paragraph (2)(C) to notify the plan providing continuation coverage of eligibility for subsequent coverage under another group health plan or eligibility for benefits under title XVIII of the Social Security Act [42 U.S.C. 1395 et seq.] and the penalty provided under section 6720C of the Internal Revenue Code of 1986 for failure to so notify the plan,

“(v) a description, displayed in a prominent manner, of the qualified beneficiary’s right to a reduced premium and any conditions on entitlement to the reduced premium, and

“(vi) a description of the option of the qualified beneficiary to enroll in different coverage if the employer permits such beneficiary to elect to enroll in such different coverage under paragraph (1)(B).

“(C) NOTICE IN CONNECTION WITH EXTENDED ELECTION PERIODS.—In the case of any assistance eligible individual (or any individual described in paragraph (4)(A)) who became entitled to elect COBRA continuation coverage before the date of the enactment of this Act [Feb. 17, 2009], the administrator of the group health plan (or other entity) involved shall provide (within 60 days after the date of enactment of this Act) for the additional notification required to be provided under subparagraph (A) and failure to provide such notice shall be treated as a failure to meet the notice requirements under the applicable COBRA continuation provision.

“(D) MODEL NOTICES.—Not later than 30 days after the date of enactment of this Act [Feb. 17, 2009]—

“(i) the Secretary of the [sic] Labor, in consultation with the Secretary of the Treasury and the Secretary of Health and Human Services, shall prescribe models for the additional notification required under this paragraph (other than the additional notification described in clause (ii)), and

“(ii) in the case of any additional notification provided pursuant to subparagraph (A) under section 8905a(f)(2)(A) of title 5, United States Code, the Office of Personnel Management shall prescribe a model for such additional notification.

“(8) REGULATIONS.—The Secretary of the Treasury may prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this subsection, including the prevention of fraud and abuse under this subsection, except that the Secretary of Labor and the Secretary of Health and Human Services may prescribe such regulations (including interim final regulations) or other guidance as may be necessary or appropriate to carry out the provisions of paragraphs (5), (7), and (9).

“(9) OUTREACH.—The Secretary of Labor, in consultation with the Secretary of the Treasury and the Secretary of Health and Human Services, shall provide outreach consisting of public education and enrollment assistance relating to premium reduction provided under this subsection. Such outreach shall target employers, group health plan administrators, public assistance programs, States, insurers, and other entities as determined appropriate by such Secretaries. Such outreach shall include an initial focus on those individuals electing continuation coverage who are referred to in paragraph (7)(C). Information on such premium reduction, including enrollment, shall also be made available on websites of the Departments of Labor, Treasury, and Health and Human Services.

“(10) DEFINITIONS.—For purposes of this section—

“(A) ADMINISTRATOR.—The term ‘administrator’ has the meaning given such term in section 3(16)(A) of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1002(16)(A)].

“(B) COBRA CONTINUATION COVERAGE.—The term ‘COBRA continuation coverage’ means continuation coverage provided pursuant to part 6 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1161 et seq.] (other than under section 609 [29 U.S.C. 1169]), title XXII of the Public Health Service Act [42 U.S.C. 300bb–1 et seq.], section 4980B of the Internal Revenue Code of 1986 (other than subsection (f)(1) of such section insofar as it relates to pediatric vaccines), or section 8905a of title 5, United States Code, or under a State program that provides comparable continuation coverage. Such term does not include coverage under a health flexible spending arrangement under a cafeteria plan within the meaning of section 125 of the Internal Revenue Code of 1986.

“(C) COBRA CONTINUATION PROVISION.—The term ‘COBRA continuation provision’ means the provisions of law described in subparagraph (B).

“(D) COVERED EMPLOYEE.—The term ‘covered employee’ has the meaning given such term in section 607(2) of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1167(2)].

“(E) QUALIFIED BENEFICIARY.—The term ‘qualified beneficiary’ has the meaning given such term in section 607(3) of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1167(3)].

“(F) GROUP HEALTH PLAN.—The term ‘group health plan’ has the meaning given such term in section 607(1) of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1167(1)].

“(G) STATE.—The term ‘State’ includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

“(H) PERIOD OF COVERAGE.—Any reference in this subsection to a period of coverage shall be treated as a reference to a monthly or shorter period of coverage with respect to which premiums are charged with respect to such coverage.

“(11) REPORTS.—

“(A) INTERIM REPORT.—The Secretary of the Treasury shall submit an interim report to the Committee on Education and Labor [now Committee on Education and the Workforce], the Committee on Ways and Means, and the Committee on Energy and Commerce of the House of Representatives and the Committee on Health, Education, Labor,

and Pensions and the Committee on Finance of the Senate regarding the premium reduction provided under this subsection that includes—

“(i) the number of individuals provided such assistance as of the date of the report; and

“(ii) the total amount of expenditures incurred (with administrative expenditures noted separately) in connection with such assistance as of the date of the report.

“(B) FINAL REPORT.—As soon as practicable after the last period of COBRA continuation coverage for which premium reduction is provided under this section, the Secretary of the Treasury shall submit a final report to each Committee referred to in subparagraph (A) that includes—

“(i) the number of individuals provided premium reduction under this section;

“(ii) the average dollar amount (monthly and annually) of premium reductions provided to such individuals; and

“(iii) the total amount of expenditures incurred (with administrative expenditures noted separately) in connection with premium reduction under this section.

“(12) COBRA PREMIUM ASSISTANCE.—

“(A) IN GENERAL.—[Enacted this section.]

“(B) SOCIAL SECURITY TRUST FUNDS HELD HARMLESS.—In determining any amount transferred or appropriated to any fund under the Social Security Act [42 U.S.C. 301 et seq.], section 6432 of the Internal Revenue Code of 1986 shall not be taken into account.

“(C) CLERICAL AMENDMENT.—[Amended analysis of this subchapter.]

“(D) EFFECTIVE DATE.—The amendments made by this paragraph shall apply to premiums to which subsection (a)(1)(A) applies.

“(E) SPECIAL RULE.—

“(i) IN GENERAL.—In the case of an assistance eligible individual who pays, with respect to the first period of COBRA continuation coverage to which subsection (a)(1)(A) applies or the immediately subsequent period, the full premium amount for such coverage, the person to whom such payment is payable shall—

“(I) make a reimbursement payment to such individual for the amount of such premium paid in excess of the amount required to be paid under subsection (a)(1)(A); or

“(II) provide credit to the individual for such amount in a manner that reduces one or more subsequent premium payments that the individual is required to pay under such subsection for the coverage involved.

“(ii) REIMBURSING EMPLOYER.—A person to which clause (i) applies shall be reimbursed as provided for in section 6432 of the Internal Revenue Code of 1986 for any payment made, or credit provided, to the employee under such clause.

“(iii) PAYMENT OR CREDITS.—Unless it is reasonable to believe that the credit for the excess payment in clause (i)(II) will be used by the assistance eligible individual within 180 days of the date on which the person receives from the individual the payment of the full premium amount, a person to which clause (i) applies shall make the payment required under such clause to the individual within 60 days of such payment of the full premium amount. If, as of any day within the 180-day period, it is no longer reasonable to believe that the credit will be used during that period, payment equal to the remainder of the credit outstanding shall be made to the individual within 60 days of such day.

“(13) PENALTY FOR FAILURE TO NOTIFY HEALTH PLAN OF CESSATION OF ELIGIBILITY FOR PREMIUM ASSISTANCE.—

“(A) IN GENERAL.—[Enacted section 6720C of this title.]

“(B) CLERICAL AMENDMENT.—[Amended analysis of part I of subchapter B of chapter 68 of this title.]

“(C) EFFECTIVE DATE.—The amendments made by this paragraph shall apply to failures occurring after the date of the enactment of this Act [Feb. 17, 2009].

“(14) COORDINATION WITH HCTC.—

“(A) IN GENERAL.—[Amended section 35 of this title.]

“(B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall apply to taxable years ending after the date of the enactment of this Act [Feb. 17, 2009].

“(15) EXCLUSION OF COBRA PREMIUM ASSISTANCE FROM GROSS INCOME.—

“(A) IN GENERAL.—[Enacted section 139C of this title.]

“(B) CLERICAL AMENDMENT.—[Amended analysis of part III of subchapter B of chapter 1 of this title.]

“(C) EFFECTIVE DATE.—The amendments made by this paragraph shall apply to taxable years ending after the date of the enactment of this Act [Feb. 17, 2009].

“(16) RULES RELATED TO 2009 EXTENSION.—

“(A) ELECTION TO PAY PREMIUMS RETROACTIVELY AND MAINTAIN COBRA COVERAGE.—In the case of any premium for a period of coverage during an assistance eligible individual’s transition period, such individual shall be treated for purposes of any COBRA continuation provision as having timely paid the amount of such premium if—

“(i) such individual was covered under the COBRA continuation coverage to which such premium relates for the period of coverage immediately preceding such transition period, and

“(ii) such individual pays, the amount of such premium, after the application of paragraph (1)(A), by the latest of—

“(I) 60 days after the date of the enactment of this paragraph [Dec. 19, 2009],

“(II) 30 days after the date of provision of the notification required under subparagraph (D)(ii), or

“(III) the end of the period described in section 4980B(f)(2)(B)(iii) of the Internal Revenue Code of 1986.

“(B) REFUNDS AND CREDITS FOR RETROACTIVE PREMIUM ASSISTANCE ELIGIBILITY.—In the case of an assistance eligible individual who pays, with respect to any period of COBRA continuation coverage during such individual’s transition period, the premium amount for such coverage without regard to paragraph (1)(A), rules similar to the rules of paragraph (12)(E) shall apply.

“(C) TRANSITION PERIOD.—

“(i) IN GENERAL.—For purposes of this paragraph, the term ‘transition period’ means, with respect to any assistance eligible individual, any period of coverage if—

“(I) such assistance eligible individual experienced an involuntary termination that was a qualifying event prior to the date of enactment of the Department of Defense Appropriations Act, 2010 [Dec. 19, 2009]; and

“(II) paragraph (1)(A) applies to such period by reason of the amendment made by section 1010(b) of the Department of Defense Appropriations Act, 2010 [Pub. L. 111–118].

“(ii) CONSTRUCTION.—Any period during the period described in subclauses (I) and (II) of clause (i) for which the applicable premium has been paid pursuant to subparagraph (A) shall be treated as a period of coverage referred to in such paragraph [probably should be “subparagraph”], irrespective of any failure to timely pay the applicable premium (other than pursuant to subparagraph (A)) for such period.

“(D) NOTIFICATION.—

“(i) IN GENERAL.—In the case of an individual who was an assistance eligible individual at any time on or after October 31, 2009, or experiences a qualifying event (consisting of termination of em-

ployment) relating to COBRA continuation coverage on or after such date, the administrator of the group health plan (or other entity) involved shall provide an additional notification with information regarding the amendments made by section 1010 of the Department of Defense Appropriations Act, 2010 [Pub. L. 111-118], within 60 days after the date of the enactment of such Act [Dec. 19, 2009] or, in the case of a qualifying event occurring after such date of enactment, consistent with the timing of notifications under paragraph (7)(A).

“(ii) TO INDIVIDUALS WHO LOST ASSISTANCE.—In the case of an assistance eligible individual described in subparagraph (A)(i) who did not timely pay the premium for any period of coverage during such individual’s transition period or paid the premium for such period without regard to paragraph (1)(A), the administrator of the group health plan (or other entity) involved shall provide to such individual, within the first 60 days of such individual’s transition period, an additional notification with information regarding the amendments made by section 1010 of the Department of Defense Appropriations Act, 2010, including information on the ability under subparagraph (A) to make retroactive premium payments with respect to the transition period of the individual in order to maintain COBRA continuation coverage.

“(iii) APPLICATION OF RULES.—Rules similar to the rules of paragraph (7) shall apply with respect to notifications under this subparagraph.

“(17) SPECIAL RULES IN CASE OF INDIVIDUALS LOSING COVERAGE BECAUSE OF A REDUCTION OF HOURS.—

“(A) NEW ELECTION PERIOD.—

“(i) IN GENERAL.—For the purposes of the COBRA continuation provisions, in the case of an individual described in subparagraph (C) who did not make (or who made and discontinued) an election of COBRA continuation coverage on the basis of the reduction of hours of employment, the involuntary termination of employment of such individual on or after the date of the enactment of this paragraph [Mar. 2, 2010] shall be treated as a qualifying event.

“(ii) COUNTING COBRA DURATION PERIOD FROM PREVIOUS QUALIFYING EVENT.—In any case of an individual referred to in clause (i), the period of such individual’s continuation coverage shall be determined as though the qualifying event were the reduction of hours of employment.

“(iii) CONSTRUCTION.—Nothing in this paragraph shall be construed as requiring an individual referred to in clause (i) to make a payment for COBRA continuation coverage between the reduction of hours and the involuntary termination of employment.

“(iv) PREEXISTING CONDITIONS.—With respect to an individual referred to in clause (i) who elects COBRA continuation coverage pursuant to such clause, rules similar to the rules in paragraph (4)(C) shall apply.

“(B) NOTICES.—In the case of an individual described in subparagraph (C), the administrator of the group health plan (or other entity) involved shall provide, during the 60-day period beginning on the date of such individual’s involuntary termination of employment, an additional notification described in paragraph (7)(A), including information on the provisions of this paragraph. Rules similar to the rules of paragraph (7) shall apply with respect to such notification.

“(C) INDIVIDUALS DESCRIBED.—Individuals described in this subparagraph are individuals who are assistance eligible individuals on the basis of a qualifying event consisting of a reduction of hours occurring during the period described in paragraph (3)(A) followed by an involuntary termination of employment insofar as such involuntary termi-

nation of employment occurred on or after the date of the enactment of this paragraph.

“(18) RULES RELATED TO APRIL AND MAY 2010 EXTENSION.—In the case of an individual who, with regard to coverage described in paragraph (10)(B), experiences a qualifying event related to a termination of employment on or after April 1, 2010 and prior to the date of the enactment of this paragraph [Apr. 15, 2010], rules similar to those in paragraphs (4)(A) and (7)(C) shall apply with respect to all continuation coverage, including State continuation coverage programs.

“(b) ELIMINATION OF PREMIUM SUBSIDY FOR HIGH-INCOME INDIVIDUALS.—

“(1) RECAPTURE OF SUBSIDY FOR HIGH-INCOME INDIVIDUALS.—If—

“(A) premium assistance is provided under this section with respect to any COBRA continuation coverage which covers the taxpayer, the taxpayer’s spouse, or any dependent (within the meaning of section 152 of the Internal Revenue Code of 1986, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof) of the taxpayer during any portion of the taxable year, and

“(B) the taxpayer’s modified adjusted gross income for such taxable year exceeds \$125,000 (\$250,000 in the case of a joint return), then the tax imposed by chapter 1 of such Code with respect to the taxpayer for such taxable year shall be increased by the amount of such assistance.

“(2) PHASE-IN OF RECAPTURE.—

“(A) IN GENERAL.—In the case of a taxpayer whose modified adjusted gross income for the taxable year does not exceed \$145,000 (\$290,000 in the case of a joint return), the increase in the tax imposed under paragraph (1) shall not exceed the phase-in percentage of such increase (determined without regard to this paragraph).

“(B) PHASE-IN PERCENTAGE.—For purposes of this subsection, the term ‘phase-in percentage’ means the ratio (expressed as a percentage) obtained by dividing—

“(i) the excess of [sic] described in subparagraph (B) of paragraph (1), by

“(ii) \$20,000 (\$40,000 in the case of a joint return).

“(3) OPTION FOR HIGH-INCOME INDIVIDUALS TO WAIVE ASSISTANCE AND AVOID RECAPTURE.—Notwithstanding subsection (a)(3), an individual shall not be treated as an assistance eligible individual for purposes of this section and section 6432 of the Internal Revenue Code of 1986 if such individual—

“(A) makes a permanent election (at such time and in such form and manner as the Secretary of the Treasury may prescribe) to waive the right to the premium assistance provided under this section, and

“(B) notifies the entity to whom premiums are reimbursed under section 6432(a) of such Code of such election.

“(4) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subsection, the term ‘modified adjusted gross income’ means the adjusted gross income (as defined in section 62 of the Internal Revenue Code of 1986) of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933 of such Code.

“(5) CREDITS NOT ALLOWED AGAINST TAX, ETC.—For purposes determining regular tax liability under section 26(b) of such Code, the increase in tax under this subsection shall not be treated as a tax imposed under chapter 1 of such Code.

“(6) REGULATIONS.—The Secretary of the Treasury shall issue such regulations or other guidance as are necessary or appropriate to carry out this subsection, including requirements that the entity to whom premiums are reimbursed under section 6432(a) of the Internal Revenue Code of 1986 report to the Secretary, and to each assistance eligible individual, the amount of premium assistance provided under subsection (a) with respect to each such individual.

“(7) EFFECTIVE DATE.—The provisions of this subsection shall apply to taxable years ending after the date of the enactment of this Act [Feb. 17, 2009].”
 [Pub. L. 111–157, §3(c), Apr. 15, 2010, 124 Stat. 1117, provided that: “The amendments made by this section [amending section 3001 of Pub. L. 111–5, set out above] shall take effect as if included in the provisions of section 3001 of division B of the American Recovery and Reinvestment Act of 2009 [Pub. L. 111–5].”]
 [Pub. L. 111–118, div. B, §1010(e), Dec. 19, 2009, 123 Stat. 3473, provided that: “The amendments made by this section [amending section 3001 of Pub. L. 111–5, set out above] shall take effect as if included in the provisions of section 3001 of division B of the American Recovery and Reinvestment Act of 2009 [Pub. L. 111–5] to which they relate.”]

CHAPTER 66—LIMITATIONS

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Subchapter A—Limitations on Assessment and Collection

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§ 6501. Limitations on assessment and collection

(a) General rule

Except as otherwise provided in this section, the amount of any tax imposed by this title shall be assessed within 3 years after the return was filed (whether or not such return was filed on or after the date prescribed) or, if the tax is payable by stamp, at any time after such tax became due and before the expiration of 3 years after the date on which any part of such tax was paid, and no proceeding in court without assessment for the collection of such tax shall be begun after the expiration of such period. For purposes of this chapter, the term “return” means the return required to be filed by the taxpayer (and does not include a return of any person from whom the taxpayer has received an item of income, gain, loss, deduction, or credit).

(b) Time return deemed filed

(1) Early return

For purposes of this section, a return of tax imposed by this title, except tax imposed by chapter 3, 4, 21, or 24, filed before the last day prescribed by law or by regulations promulgated pursuant to law for the filing thereof, shall be considered as filed on such last day.

(2) Return of certain employment and withholding taxes

For purposes of this section, if a return of tax imposed by chapter 3, 4, 21, or 24 for any period ending with or within a calendar year is filed before April 15 of the succeeding calendar year, such return shall be considered filed on April 15 of such calendar year.

(3) Return executed by Secretary

Notwithstanding the provisions of paragraph (2) of section 6020(b), the execution of a return by the Secretary pursuant to the authority conferred by such section shall not start the running of the period of limitations on assessment and collection.

(4) Return of excise taxes

For purposes of this section, the filing of a return for a specified period on which an entry has been made with respect to a tax imposed under a provision of subtitle D (including a return on which an entry has been made showing no liability for such tax for such period) shall constitute the filing of a return of all amounts of such tax which, if properly paid, would be required to be reported on such return for such period.

(c) Exceptions

(1) False return

In the case of a false or fraudulent return with the intent to evade tax, the tax may be assessed, or a proceeding in court for collection of such tax may be begun without assessment, at any time.

(2) Willful attempt to evade tax

In case of a willful attempt in any manner to defeat or evade tax imposed by this title (other than tax imposed by subtitle A or B), the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

(3) No return

In the case of failure to file a return, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

(4) Extension by agreement

(A) In general

Where, before the expiration of the time prescribed in this section for the assessment of any tax imposed by this title, except the estate tax provided in chapter 11, both the Secretary and the taxpayer have consented in writing to its assessment after such time, the tax may be assessed at any time prior to the expiration of the period agreed upon. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon.

(B) Notice to taxpayer of right to refuse or limit extension

The Secretary shall notify the taxpayer of the taxpayer’s right to refuse to extend the period of limitations, or to limit such extension to particular issues or to a particular period of time, on each occasion when the taxpayer is requested to provide such consent.

(5) Tax resulting from changes in certain income tax or estate tax credits

For special rules applicable in cases where the adjustment of certain taxes allowed as a credit against income taxes or estate taxes results in additional tax, see section 905(c) (relating to the foreign tax

¹ Section numbers editorially supplied.