



COBRA Questions and Answers: Taxability and Recapture

TR-1

Q. Will the COBRA premium subsidy be taxable income for the individual?

A. The premium subsidy is not included in the individual's income. However, there is a phase-out of eligibility for the subsidy, which will increase some high-income individuals' tax liability if they receive the subsidy. The phase-out impacts individuals whose modified adjusted gross income exceeds \$125,000, or \$250,000 for those filing joint returns. Tax liability is increased, to achieve repayment of a portion of the subsidy, for those taxpayers whose modified adjusted gross income is between \$125,000 and \$145,000, or \$250,000 and \$290,000 for those filing joint returns. If a taxpayer's modified adjusted gross income exceeds \$145,000, or \$290,000 for those filing joint returns, the full amount of the subsidy must be repaid as an additional tax. There is no additional tax for individuals with modified adjusted gross income less than these income levels. (02/26/09)

TR-2

Q. Is the 65% subsidy subject to state income tax?

A. The premium subsidy is not included in income for federal tax purposes. However, its treatment for state income tax purposes is determined under state law and depends on the tax law of the particular state. (03/19/09)

Related Items:

- COBRA Questions and Answers: [Administration and Eligibility](#)
- COBRA Questions and Answers: [Form Preparation](#)
- COBRA Questions and Answers: [Reporting and Documentation](#)
- COBRA: [Answers for Employers](#)

Page Last Reviewed or Updated: March 20, 2009