



MINNESOTA
CHAMBER of
COMMERCE

BUSINESS SOLUTIONS
HEALTH & BENEFIT E-NEWSLETTER

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NEW MANDATES, TAX INCREASES TAKE EFFECT

Several new laws on the state and federal levels take effect this month. Businesses should pay particular attention to the following:

MINNESOTA COBRA PREMIUM SUBSIDY

Beginning July 1, the Minnesota COBRA subsidy will pay 35 percent of the COBRA premium for people who:

- Sign up for COBRA health care coverage.
- Are eligible for the federal COBRA subsidy.
- Meet the income and asset limits for a Minnesota health care program.

Under Minnesota law (Minnesota statutes, Chapter 79, Article 5, Section 78), employers and plan administrators who are required to provide notice of the federal COBRA subsidy under the American Recovery and Reinvestment Act of 2009 must include information about the Minnesota COBRA premium subsidy to qualified individuals residing in Minnesota.

The Minnesota Department of Health (DHS) has developed a model notice to be used by employers and plan administrators. DHS recommends this notice be included with all COBRA notice mailings. Employers and

plan administrators can write their own notice using language from the model version. If doing so, please do not change the eligibility information or the name of the Minnesota COBRA premium subsidy.

[Model Notice](#)

[Minnesota COBRA Premium Subsidy Application](#)

For more information go to www.dhs.state.mn.us/healthcare/cobra.

SECTION 125 HEALTH INSURANCE MANDATE TAKES EFFECT

Beginning July 1, 2009, Minnesota law requires employers that 1) do not offer health insurance benefits to their employees and 2) have 11 or more full-time equivalent employees to establish and maintain a Section 125 plan to allow their employees to purchase health coverage with pretax dollars.

The state of Minnesota has set aside a limited amount of grant money to help small employers – two to 50 Minnesota employees only – cover the cost of establishing a Section 125 “cafeteria” premium-only plan. The grant is \$350 per employer. [Click here](#) to view the grant application.

The law also permits employers to “opt out” of this requirement by certifying to the Commissioner of Commerce that they have received education and information on the advantages of Section 125 plans and have chosen not to establish such a plan. (Minnesota statutes, Section 62U.07). The application must be submitted online.

[Opt Out Application](#)

[Click here](#) for more information on Section 125 Plans.

FEDERAL MINIMUM WAGE INCREASES

Effective July 24, the federal minimum wage will increase to \$7.25 per hour in accordance with the three incremental steps enacted into law in 2006. The rate previously was raised to \$5.85 in 2007 and \$6.55 in 2008. For more information on the federal Fair Labor Standards Act, visit www.dol.gov/compliance/laws/comp-flsa.htm.

NEW SEAT BELT LAW

Effective June 9, Minnesota's seat belt law became a primary offense with fines from \$25 to more than \$100. All drivers and passengers in all seating positions must be buckled up or in the correct child restraint. As it is now a primary offense, law enforcement can stop motorists for a seat-belt violation. Employers may want to update a company's personnel manual to clarify who will be responsible for payment of a ticket if an employee is stopped while on work-related travel. [Click here](#) for a brochure about this new law.

STATE GENERAL SALES AND USE TAX RATE INCREASES

Effective July 1, 2009, the state's sales tax increased from 6.5 percent to 6.875 percent. The tax, which expires in 2034, is expected to generate about \$400 million annually. Voters approved the sales tax increase in November 2008 to be divided into four dedicated funding areas: wildlife habitat, clean water, parks and trails, and arts and culture. The appropriate sales tax rate charts will be added to the Minnesota Department

of Revenue's Web site as they become available: www.taxes.state.mn.us/. The 6.875 percent sales tax rate applies to motor vehicle leases entered into on or after July 1, 2009. However, the sales tax rate on motor vehicle purchases remains at 6.5 percent.

Any local or regional sales tax is in addition to the state sales tax rate.

STATE GAS TAX INCREASES

Effective July 1, 2009, motorists will pay another 1.6 cents surcharge per gallon of gasoline. The gas tax increase is the fourth in 15 months under a bill passed by the 2008 Legislature to finance a 10-year, \$6.6 billion program to improve the state's highways, bridges and transit systems.

For more information on this or other products and services available through the Minnesota Chamber of Commerce, contact Mary Bethke at (651) 292-4672, (800) 821-2230, or mbethke@mnchamber.com or visit our Web site at www.mnchamber.com/benefits.

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