

**Tax Credits created by the Families First Coronavirus Response Act (“The Act”)**

If you operate a business with fewer than 500 employees, you are eligible to receive 2 new credits created by Families First Coronavirus Response Act ("The Act").

The 1st credit below will be claimed on your 2020 tax return. **You can take advantage of the 2nd credit NOW since any payroll taxes due can be used to pay for qualified leave.**

1. If you pay employers for any sick leave and expanded family and medical leave for COVID-19 related reasons, keep careful track of the amounts paid for hours taken. Also, record any costs to maintain health insurance coverage for the eligible employee during the leave period.

In addition to the regular deduction of these expenses, you will receive an additional tax credit as calculated below and which will be reported on your 2020 tax return. See the details below.

2. If you pay for leave due to COVID-19 as previously discussed, you may keep the amount of payroll taxes to cover the paid amount. **\*\*If you paid for any leave detailed in #1, alert your payroll company so that they can reduce payroll tax payments ASAP.\*\*** See details below.

**DETAILED INFORMATION**

1. The Act provides paid sick leave and expanded family and medical leave for COVID-19 related reasons and created the refundable paid sick leave credit and the paid child care leave credit for eligible employers. Eligible employers are businesses and tax-exempt organizations with fewer than 500 employees and can claim these credits based on qualifying leave they provide between the effective date and December 31, 2020.

***Paid leave***. Employees can receive two weeks (up to 80 hours) of paid sick leave at 100% of the employee's pay where the employee is unable to work because the employee is quarantined, and/or experiencing COVID-19 symptoms, and seeking a medical diagnosis.

Employers may receive a refundable sick leave credit for sick leave at the employee's regular rate of pay, up to $511 per day and $5,110 in the aggregate, for a total of 10 days.

An employee who is unable to work because of a need to care for an individual subject to quarantine, to care for a child whose school is closed or child care provider is unavailable for reasons related to COVID-19, can receive two weeks (up to 80 hours) of paid sick leave at 2/3 the employee's pay.

This credit is equal to 2/3 of the employee's regular pay, capped at $200 per day or $10,000 in the aggregate. Up to 10 weeks of qualifying leave can be counted towards the child care leave credit. Eligible employers are entitled to an additional tax credit determined based on costs to maintain health insurance coverage for the eligible employee during the leave period.

**Note:** Small businesses with fewer than 50 employees will be eligible for an exemption from the leave requirements relating to school closings or child care unavailability where the requirements would jeopardize the ability of the business to continue.

2. Using payroll taxes to pay for qualified leave. Employers who pay qualifying sick or child care leave will be able to retain an amount of the payroll taxes equal to the amount of qualifying sick and child care leave that they paid, rather than deposit them with the IRS.

This includes withheld federal income taxes, the employee share of Social Security and Medicare taxes, and the employer share of Social Security and Medicare taxes with respect to all employees.

If there are not sufficient payroll taxes to cover the cost of qualified sick and child care leave paid, employers will be able to file a request for an accelerated payment from the IRS. The IRS expects to process these requests in two weeks or less. The details of this new, expedited procedure will be announced next week.

Examples. If an eligible employer paid $5,000 in sick leave and is otherwise required to deposit $8,000 in payroll taxes, including taxes withheld from all its employees, the employer could use up to $5,000 of the $8,000 of taxes it was going to deposit for making qualified leave payments. The employer would only be required under the law to deposit the remaining $3,000 on its next regular deposit date.

If an eligible employer paid $10,000 in sick leave and was required to deposit $8,000 in taxes, the employer could use the entire $8,000 of taxes in order to make qualified leave payments and file a request for an accelerated credit for the remaining $2,000.

If you have any questions, reply to this email and I will be happy to respond. Please stay healthy and safe!