



Paid Sick and Family Leave Tax Credits

Paid Leave

The Families First Coronavirus Response Act (FFCRA), enacted on March 18, 2020, provides payroll tax credits and requires employers to provide paid leave for employees affected by COVID-19. Employers with fewer than 500 employees are required to provide paid leave if an employee cannot work or telework because the employee:

1. Is under a Federal, State, or local quarantine or isolation order related to COVID-19;
2. Has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
3. Is experiencing symptoms of COVID-19 and is seeking a medical diagnosis;
4. Is caring for an individual who is subject to reasons 1 or 2 as listed above
5. Is caring for the employee's child, if the child's school or childcare facility is closed or if the child's care provider is unavailable, due to COVID-19 precautions; or
6. Is experiencing any other substantially similar condition specified by the US Department of Health and Human Services.

Employees that cannot work because of reasons (1), (2), (3) are entitled to paid sick leave for up to 80 hours at their normal rate of pay or the Federal, State, or local minimum wage, if higher. They are entitled to up to \$511 per day for up to 10 days (\$5,110 in the aggregate).

Employees who cannot work because of reasons (4), (5), or (6), are entitled to paid sick leave for up to 80 hours at two-thirds their normal rate of pay or the Federal, State, or local minimum wage, if higher. They are entitled to up to \$200 per day for up to 10 days (\$2,00 in the aggregate).

Paid Sick Leave Credit

Eligible employers providing paid sick leave, as described above, are eligible for a fully refundable tax credit equal to the required paid sick leave they provide. The credit includes the eligible employer's portion of Medicare tax imposed on the qualified sick leave wages. The credit also includes the eligible employer's share of maintaining health insurance coverage for an employee during the time they take sick leave.

Eligible employers are not subject to the employer portion of social security tax imposed on the qualified sick leave wages.

Those eligible employers subject to the Railroad Retirement Tax Act are not subject to either social security tax or Medicare tax on the qualified sick leave wages. As such, they do not get a credit for Medicare tax.



Paid Family Leave Credit

Employees who cannot work because of reason (5), listed above, are entitled to paid family and medical leave for up to 10 weeks at two-thirds of their normal rate of pay. They are entitled to up to \$200 a day, or \$10,000 in the aggregate.

Eligible employers are entitled to a fully refundable tax credit equal to the required paid family and medical leave. Like the paid sick leave credit, the credit includes the eligible employer's share of Medicare tax imposed on the qualified leave wages. The credit also includes the eligible employer's share of maintaining health insurance coverage for an employee during the time the employee take family and medical leave.

Eligible employers are not subject to the employer portion of social security tax imposed on the qualified family and medical leave wages.

Those eligible employers subject to the Railroad Retirement Tax Act are not subject to either social security tax or Medicare tax on the qualified sick leave wages. As such, they do not get a credit for Medicare tax.

Payment of Credits

Eligible employers can receive a credit for qualified sick leave and qualified family leave wages paid for leave during the period beginning April 1, 2020 and ending December 31, 2020. If the amount of the credit exceeds the employer portion of federal employment taxes, then the excess will be treated as overpayment and will be refunded to the employer.

If the eligible employer's federal employment taxes yet to be deposited are not enough to cover the cost of the qualified leave wages, the employer can file a request for advance payment from the IRS. The IRS expects to begin processing the request in April 2020.

Eligible Employers

Eligible employers are businesses and tax-exempt organizations with fewer than 500 employees that are required to provide emergency paid sick leave and emergency paid family and medical leave under the FFCRA.

While the FFCRA requires most government employers to provide paid leave, governmental employers are ineligible for tax credits for this leave.

Interaction with SBA Loans

Eligible employers can receive both a Paycheck Protection Program (PPP) loan and a sick and/or family medical leave tax credit. However, if an eligible employer receives a credit for qualified leave wages, those wages are not eligible as payroll costs through PPP loan forgiveness.



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Additional Resources

[IRS: COVID-19-Related Tax Credits for Required Paid Leave Provided by Small and Midsize Businesses FAQs](#)

[DOL: Families First Coronavirus Response Act: Questions and Answers](#)