

COVID-19 Related Payroll Tax Credits

Identifying How to Calculate and Apply for Credits & Refunds

Families First Coronavirus Response Act (FFCRA) – H.R. 6201
Effective April 1, 2020 through December 31, 2020

WHAT PAYMENTS ARE ELIGIBLE FOR THE FFCRA PAYROLL TAX REFUNDABLE CREDITS?

- ✓ 100% of **EMERGENCY SICK LEAVE**, up to a max 80 hours or at applicable rates and limits, paid to employees from April 1, 2020 to December 31, 2020
- ✓ 100% of **EMERGENCY FMLA EXPANSION LEAVE**, up to a max of 12 weeks (first two weeks are unpaid) or \$10,000 per employee, paid to employees from April 1, 2020 to December 31, 2020
- ✓ 100% employer-paid health insurance costs during employee emergency leave

WHO IS ELIGIBLE FOR REFUNDABLE PAYROLL TAX CREDITS FOR FFCRA EMERGENCY LEAVE?

- ✓ Small business and non-profit employers with less than 500 employees
- ✓ Self-employed individuals and owners. Non-W2 owner "wages" will be refunded through personal and business tax credits.
- ✓ Public employers are **NOT ELIGIBLE** for the payroll tax credits

HOW DO EMPLOYERS APPLY FOR THE CREDITS & REFUNDS?

Apply, on a per payroll basis, an immediate dollar-for-dollar tax credit by offsetting total federal tax deposit liabilities, including:

- ✓ Federal Withholding
- ✓ Employee & Employer Social Security Tax
- ✓ Employee & Employer Medicare Tax

When total credit due exceeds federal payroll tax deposit liability, employers will request an expedited advance/refund from the IRS via [Form 7200](#)

- ✓ IRS expects to process these refund requests within 2 weeks of submission

Emergency leave and related employer payroll tax credits will be reconciled and reported on the employer's quarterly/annual payroll tax return Form 941/944/943

EXAMPLES & PLANNING POINTS

ABC Small Business has a regularly scheduled payroll dated 4/30/2020, details include:

- ✓ Total gross wages, including work and sick leave pay, for the payroll equal \$10,000
- ✓ \$2,500 of this total gross pay is for employee emergency sick leave pay
- ✓ \$500 of employer-paid health insurance premiums were paid on behalf of employees on emergency leave
- ✓ Total federal tax deposit liability is \$3,500

How do employers apply for the tax credit?

- ✓ Employer should timely deposit payroll taxes totaling \$500 (\$3,500 tax liability less \$2,500 emergency leave pay wages eligible for credit and \$500 of employer paid health insurance costs)

What if the credit exceeds the tax deposit liability?

- ✓ Employer should not make a federal tax deposit
- ✓ Amount of the emergency leave pay and/or health insurance costs that exceed the federal tax deposit liability should be submitted to the IRS, via [Form 7200](#), and will be refunded to the employer within 2 weeks
- ✓ Additional credits can be claimed with quarterly or annual payroll tax return filings (i.e Form 941/944)

Employers should be sure to work closely with their payroll software provider to be sure that their payroll system is setup to both track and apply these paid leave and related credits each payroll.

IMPORTANT REMINDERS

- ✓ Families First Coronavirus Response Act (FFCRA) is only applicable for employers with less than 500 employees.
- ✓ Refundable payroll tax credits are NOT applicable for public or government employers.
- ✓ Employers receiving a payroll tax credit will be required to add the total credit amount for 2020 to their annual taxable gross income.
- ✓ FFCRA payments and credits cannot be used for purposes of calculating payroll wages for Paycheck Protection Program (PPP) loan forgiveness or in conjunction with Employee Retention Credits or Payroll Tax Deferral options.

Our expert team is here to help you understand and apply the Families First Coronavirus Response Act and related payroll tax credits within your organization. Contact AEM Workforce Solutions at 507-524-4282 or aemws@aemcpas.com