

# COVID-19 Update Tax Credits

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Dominion Payroll™  
*Empowering Your Business*

# Legal Disclaimer

This training is intended for educational and informational purposes.

While we hope that you will learn a lot today, we are not attorneys, and the information should not be construed as legal advice.

# Families First Coronavirus Response Act

- HR 6201, also known as the "Families First Coronavirus Response Act," was signed into law 3/18/2020, effective 4/1/2020-12/31/2020.
- Emergency Family Paid Leave Act(EFMLA)
- Emergency Paid Sick Leave

# Paid Family Medical Leave

## FMLA: Emergency Family and Medical Leave Expansion Act

- The bill provides 12 weeks of job-protected paid FMLA
  - of which the first 10 days may be unpaid – for employees of employers with under 500 employees
- Employees may use accrued personal or sick leave during the first 10 days, but employers **may not require** employees to do so
- Employees may also supplement the first 2 weeks of unpaid leave with Emergency Paid Sick Leave
- This leave benefit covers employees who have been working for at least **30 calendar days**
- If employees are unable to work or telework and school or place of care has been closed related to a public emergency, employees may use leave to care for a child under the age of 18.
- After the first 10 days, employers **must** compensate employees in an amount that is not less than 2/3 of the employee's regular rate of pay based on their normal scheduled hours. **These pay requirements apply to only the COVID-19 related leave reasons listed above.**
- The provisions will go into effect April 1, 2020 and expire on December 31, 2020

# Paid Family Medical Leave

- The FMLA Expansion Act provides that the Secretary of Labor may exempt small businesses with fewer than 50 employees when these requirements would jeopardize the viability of the business as a going concern. The Department of Labor is to promulgate regulations that will address the process for requesting an exemption, as well as other issues.
- Employers of Health Care Providers or Emergency Responders may elect to exclude such employees from eligibility for the leave provided under the Act
- Not to exceed \$200 per day and \$10,000 per individual in total

# Emergency Paid Sick Leave Act

- Employers with under 500 employees will be required to provide full-time employees **2 weeks (80 hours) of paid sick leave** for specific circumstances related to COVID-19 (e.g., self-isolating, doctors' visits, school closures, etc.) the paid sick time must be made available for immediate use. There will be no carryover of these hours from one year to the next.
- **Part-time employees** are entitled to the number of hours of paid sick time equal to the number of hours they work, on average, over a 2-week period.
- Employers must compensate employees for any paid sick time they take at their regular rates of pay.
- Employers will be required to post a notice informing employees of their rights to leave within 7 days of the bill being passed.
- As currently drafted, the bill expressly provides that it does not preempt existing state or local paid sick leave entitlements.
- The provisions will go into effect April 1, 2020 and expire on December 31, 2020.

# Paid Sick Leave Recap

Division E of the Act provides a 100% refundable tax credit for businesses under 500 employees to provide paid sick leave to employees affected by COVID-19, if the employees are unable to work and meet one of the conditions below

## **Employees paid at 100% their rate of pay:**

- Employees who are under a Federal, State or Local isolation order
- Employees who have been advised by a healthcare provider to self-quarantine
- Employees who are experiencing symptoms of COVID-19 and seeking a medical diagnosis

## **Employees paid at 2/3rds their rate of pay**

- Employees caring for an individual who is subject to an isolation order
- Employees who are caring for a child if the school or day care is closed
- Employees who are experiencing any other similar condition

# Emergency Loans

- U.S. SBA is accepting applications for emergency loans for businesses in qualifying states: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>
- State SBA's also may be offering grants or loans
- More to come out about Small Business Loans and Loan Forgiveness in the CARES Act(pending).
- Currently reads: Loan forgiveness for payroll related expenses up to \$33,333 in employee wages and excludes EFMLA and ESICK expenses.



# The Tax Credit Situation for Employers

## Here is what we know:

- The credit for Emergency Paid Sick Leave wages for each employee who must self-isolate, obtain a diagnosis, or comply with a self-isolation recommendation with respect to coronavirus is capped at \$511 per day and \$5110 in aggregate max.
- The credit for Emergency Paid Sick Leave wages to each employee caring for a family member or for a child whose school or place of care has been closed is capped at \$200 per day or \$2000.00 in aggregate max.
- The credit for Emergency Family and Medical Leave wages is capped at \$200 per day for each individual and \$10,000 per individual for all quarters.

# The Tax Credit Situation for Employers

- Under guidance that will be released next week, eligible 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.
- The payroll taxes that are available for retention include 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.

# Tax Credit 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.

# Small Business Exemption:

- 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. The exemption will be available on the basis of simple and clear criteria that make it available in circumstances involving jeopardy to the viability of an employer's business as a going concern. Labor will provide emergency guidance and rulemaking to clearly articulate this standard.

# Healthcare expenses credit:

- DOL: Wage and Hour Division does not administer this aspect of the law, but notes that every dollar of required paid leave (plus the cost of the employer's health insurance premiums during leave) will be **100%** covered by a dollar-for-dollar refundable tax credit available to the employer.
- IRS: 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.

# Payroll Setup:

- In order to track these wages paid separately, we have 3 new earnings codes that can be setup in your account:
- **Temp FMLA 2/3:**
  - This is for the employees utilizing Emergency FMLA, when unable to work or telework due to schools and/or childcare being shut down, for their child under the age of 18.
  - This is setup with a YTD limit of \$10,000.00
- **Temp Sick 100% :**
  - This is for employees that meet one of the following criteria:
  - The employee is subject to Federal, State, or Local quarantine or isolation order related to COVID-19; have been advised by a health care provider to self-quarantine due to concerns related to COVID-19; OR is experiencing symptoms of COVID-19 and seeking a medical diagnosis
  - This is setup with a YTD limit of \$5110.00 and a YTD Hours limit of 80
- **Temp Sick 2/3 :**
  - This is for employees that meet one of the following criteria:
  - Employees who are caring for an individual who is subject to an order as described above; caring for a son or daughter of such employee if the school or place of care the child attends has been closed, or the child care provider of such child is unavailable due to COVID-19 precautions; OR The employee is experiencing any other substantially similar condition specified by the Secretary of Health and Human Services in consultation with the Secretary of the Treasury and the Secretary of Labor.
  - This is setup with a YTD limit of \$2000.00 and YTD Hours limit of 80
- Please contact [customerservice@dominionpayroll.com](mailto:customerservice@dominionpayroll.com) to have these earnings codes added to your account.

As requirements change and laws are passed,  
we will update you as soon as possible.

# Questions?

We received many emails asking questions and are working on responding as quickly as possible. With all questions, please email: [questions@dominionpayroll.com](mailto:questions@dominionpayroll.com)

For resources, updates, webinar schedule, and FAQ's, please [visit our page](#):



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