

Understanding Paid Sick Leave Tax Credits for Employers

By Phillips Murrah Director [Dawn M. Rahme](#)

The Families First Coronavirus Response Act (FFCRA) was signed into law on March 18, 2020 and includes both the Emergency Paid Sick Leave Act, which provides for paid sick leave, as well as the Emergency Family and Medical Leave Expansion Act, which provides for expanded paid leave. The Act provides employers relief in the form of tax credits to offset the cost of wages.

Employer Procedure

Guidance for claiming the tax credits will come from the Internal Revenue Service (IRS) in the next 2 weeks. However, we already know a key component of how the tax credits will work. Employers will be allowed to retain payroll tax payments equal to the amount of qualifying paid sick and child care leave that the employer pays, as laid out below.

The tax payments the employer may retain include both the employee and employer shares of social security and Medicare taxes for ALL employees whether or not those employees were paid qualifying sick and child care leave. If the paid sick and child care leave exceed the amount of payroll taxes due, the employer can request a payment from the IRS.

Qualifying employers include all American businesses with fewer than 500 employees. According to the [IRS](#), “The legislation will enable employers to keep their workers on their payrolls, while at the same time ensuring that workers are not forced to choose between their paychecks and the public health measures needed to combat the virus.”



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Scenario A: Paid Sick Leave

Employee is unable to work because the employee is quarantined, and/or experiencing COVID-19 symptoms, and seeking a medical diagnosis.

Employee Benefit:

100% pay for 10 days (up to 80 hours)

Employer Paid Sick Leave Tax Credit:

Eligible 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

Scenario B: Emergency Paid Sick Leave

Employee 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, and/or the employee is experiencing substantially similar conditions as specified by the U.S. Department of Health and Human Services.

Employee Benefit:

2/3 pay for 10 days (up to 80 hours)

Employer Paid Sick Leave Tax Credit:

Eligible employers will receive a payroll tax credit for 100% of employee's qualified sick leave, capped at \$200 per day for 10 days (\$2,000 total); *plus* eligible employers may receive a tax credit determined based on costs to maintain health insurance coverage for the eligible employee during the leave period.

Self-Employed:

Equivalent income tax credit amounts are available to self-employed individuals under similar circumstances.

Scenario C: Emergency FMLA Expansion

Employee who is unable to work due to a need to care for a

child whose school is closed, or child care provider is unavailable for reasons related to COVID-19.

Employee Benefit:

2/3 pay for up to an additional 10 weeks

Employer Child Care Leave Tax Credit:

Eligible employers may receive a payroll tax credit of 100% of eligible wages paid, capped at \$200 per day up to \$10,000 per employee in total. Up to 10 weeks of qualifying leave can be counted towards the child care leave credit.

Self-Employed:

Equivalent income tax credit amounts are available to self-employed individuals under similar circumstances.

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