

## Coronavirus Paid Leave Act Offers Tax Incentives for Employers

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On Wednesday, March 18, President Trump signed the Families First Coronavirus Response Act (the "Act") into law. This law required certain employers with less than 500 employees to provide paid-leave benefits to employees affected by the COVID-19 emergency. A discussion of the relief provided to employees can be found [here](#).

In addition to providing paid leave to certain employees, the Act also includes new tax credits and payroll-tax relief to those employers impacted to allow them to pay for the mandatory benefits. The Act also provides some tax relief for self-employed individuals.

**Tax Credits; Small employers** - The Act allows impacted employers to collect a tax credit equal to 100% of qualified emergency sick-leave and family-leave payments made pursuant to the Act. Some skepticism remains as the credit will only cover payments made from a specified start date and ending on December 31, 2020. The start date has not yet been announced but will be within 15 days of the March 18 date the Act was signed into law.

The new credits will first be used to offset the Social Security tax component of an employer's federal payroll-tax bill with any excess credit being refundable via a government issued payment to employers. It should be noted that this credit is not available to employers already receiving credit for paid medical and family leave under I.R.C. §455.

**FICA Relief** - Qualified leave payments made to employees pursuant to the Act are now exempt from the 6.2% Social Security tax component of the employer's federal

payroll tax that is typically applied to wages. Employers are still required to pay the 1.45% Medicare tax, but are allowed to claim a credit for the outlay.

**Tax Credits; Self-employed** - Self-employed individuals negatively affected by COVID-19 may claim a refundable credit against your federal income-tax bill, including the self-employment tax. If the credit exceeds your tax bill, the government will issue payments for the excess. The credit is equal to:

- i. 100% of your sick-leave equivalent amount, plus
- ii. 67% of the sick-leave equivalent for taking care of a family member (or child following closure of schools)

For the purposes of this credit the "sick-leave equivalent" is equal to the lesser of:

- i. Your daily self-employment income, or
- ii. \$511 per day for up to 10 days to care for yourself - \$200 per day for up to 10 days to care for a sick family member or your child following closure of schools.

Additionally, as a self-employed individual, you can claim COVID-19 emergency family-leave credit for a maximum of 50 days. The credit amount will equal product of the number of qualified family-leave days and the lesser of \$200 or your average daily self-employed income. These credit will be available from the start date through December 31, 2020. The start date has not yet been announced but will be within 15 days of the March 18 date the Act was signed into law.

We will continue to monitor the COVID-19 motivated financial relief and do our best to report updates as they become available.

Be sure to visit our Taxing Times blog, as well as our Coronavirus (COVID-19) Response Team page, to keep up to date on the latest news.