

Families First Coronavirus Response Act

- ◆ Provides paid sick leave, free COVID testing, expanded food assistance and unemployment benefits, and increased Medicaid funding
- ◆ Provides eligible employers (< 500 employees) funds to pay sick and family and medical leave through refundable credits



FFCRA Credits

- ◆ **Eligible Employers** – businesses and tax-exempt orgs with < 500 employees required to provide paid sick leave and paid family leave
- ◆ Employers < 50 employees may not have to provide paid sick leave due to school/daycare closures if it compromises going concern



Qualified Health Plan Expense

- ◆ \$ paid by employer to provide and maintain group health plan if \$ is excluded from employee's income under accident or health plan
- ◆ Increases amount of tax credit



Health Insurance

Fill-In

+

+

Credit eligible



Fill-In

Gross wages

+ Health plan expense

+ Employer Medicare 1.45%

Credit eligible

Wage Payments

- ◆ Wages paid between 4/1/20 and 12/31/20
- ◆ Full amount of credit is included in gross income; wages can be deducted when paid/incurred



Summary of Leave Credits

Type of Credit	IF an employee is unable to work because:	Then
Paid Sick Leave Credit	<ul style="list-style-type: none"> • They're subject to a COVID-19 quarantine or isolation order. • They're advised to self-quarantine because of COVID-19. • They have COVID-19 symptoms and are seeking a medical diagnosis. 	The credit is at the employee's regular rate of pay, up to \$511 per day and \$5,110 in total up to 80 hours. The employer is also eligible for credits for qualified health plan expenses for the employee and the employer's portion of Medicare tax expenses related to the qualified wages.
Paid Sick Leave Credit	<ul style="list-style-type: none"> • They're caring for someone who is subject to a COVID-19 quarantine or isolation order, or for someone who is advised to self-quarantine because of COVID-19. • They're caring for a child whose school or place of care is closed due to COVID-19. • They're caring for a child whose child care provider is unavailable due to COVID-19. 	The credit is for two-thirds of the employee's regular rate of pay, up to \$200 per day and \$2,000 in total, for up to 80 hours. The employer is also eligible for credits for qualified health plan expenses for the employee and the employer's portion of Medicare tax related to the qualified wages.

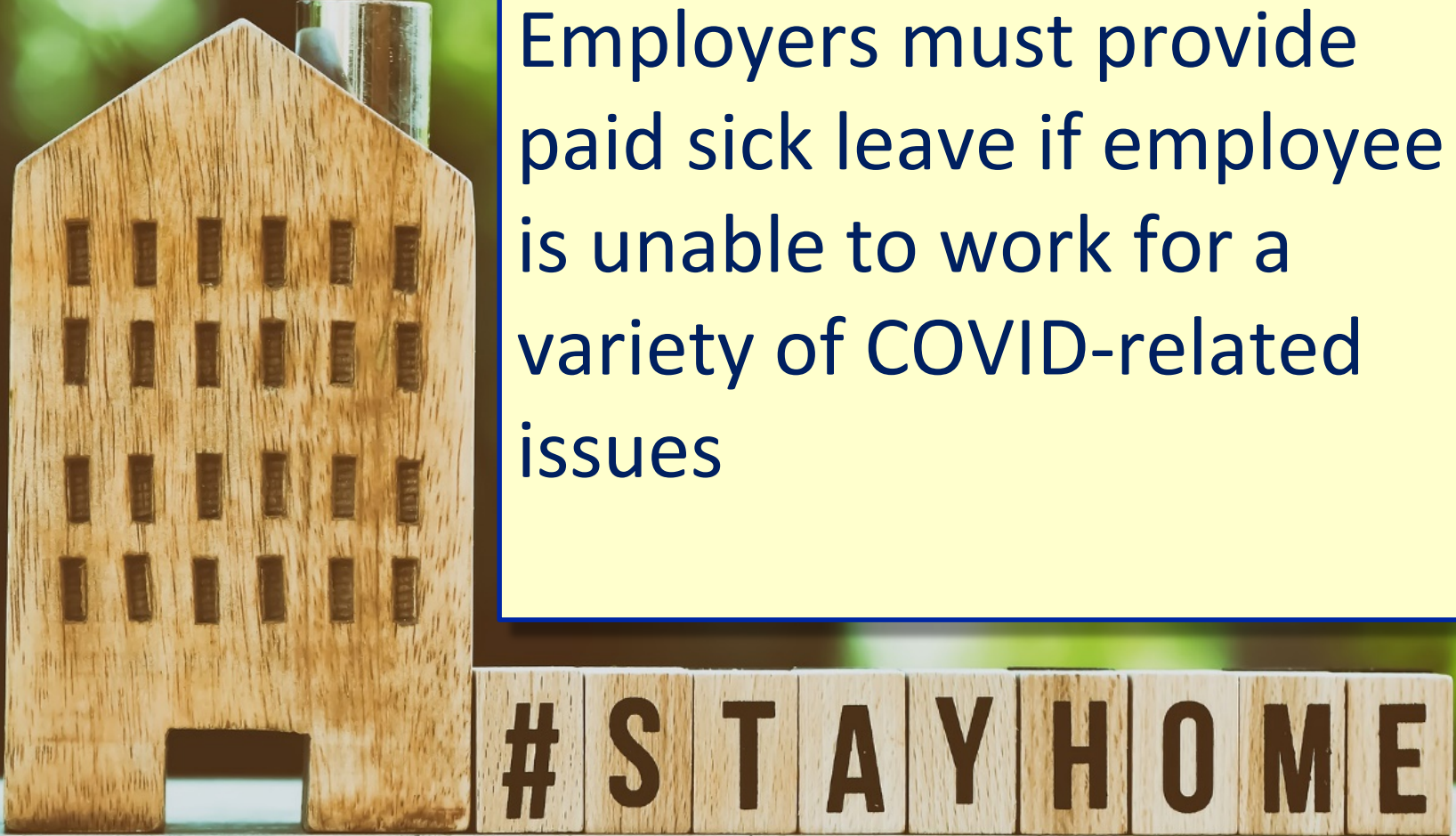
Summary of Leave Credits

Paid Family Leave Credit

- They're caring for a child whose school or place of care is closed due to COVID-19
- They're caring for a child whose child care provider is unavailable due to COVID-19.
- This credit is equal to two-thirds of the employee's regular rate of pay, capped at \$200 per day or \$10,000 in total.
- Up to 10 weeks of qualifying leave can be counted toward the Family Leave Credit. This can be combined with the sick leave credit, so an employer could be entitled to a credit for pay for up to 12 weeks – 2 weeks of sick leave and 10 weeks of family leave.
- The employer is also eligible for credits for qualified health plan expenses for the employee and the employer's portion of Medicare tax related to the qualified wages.

Payroll Credit for Required Paid Sick Leave

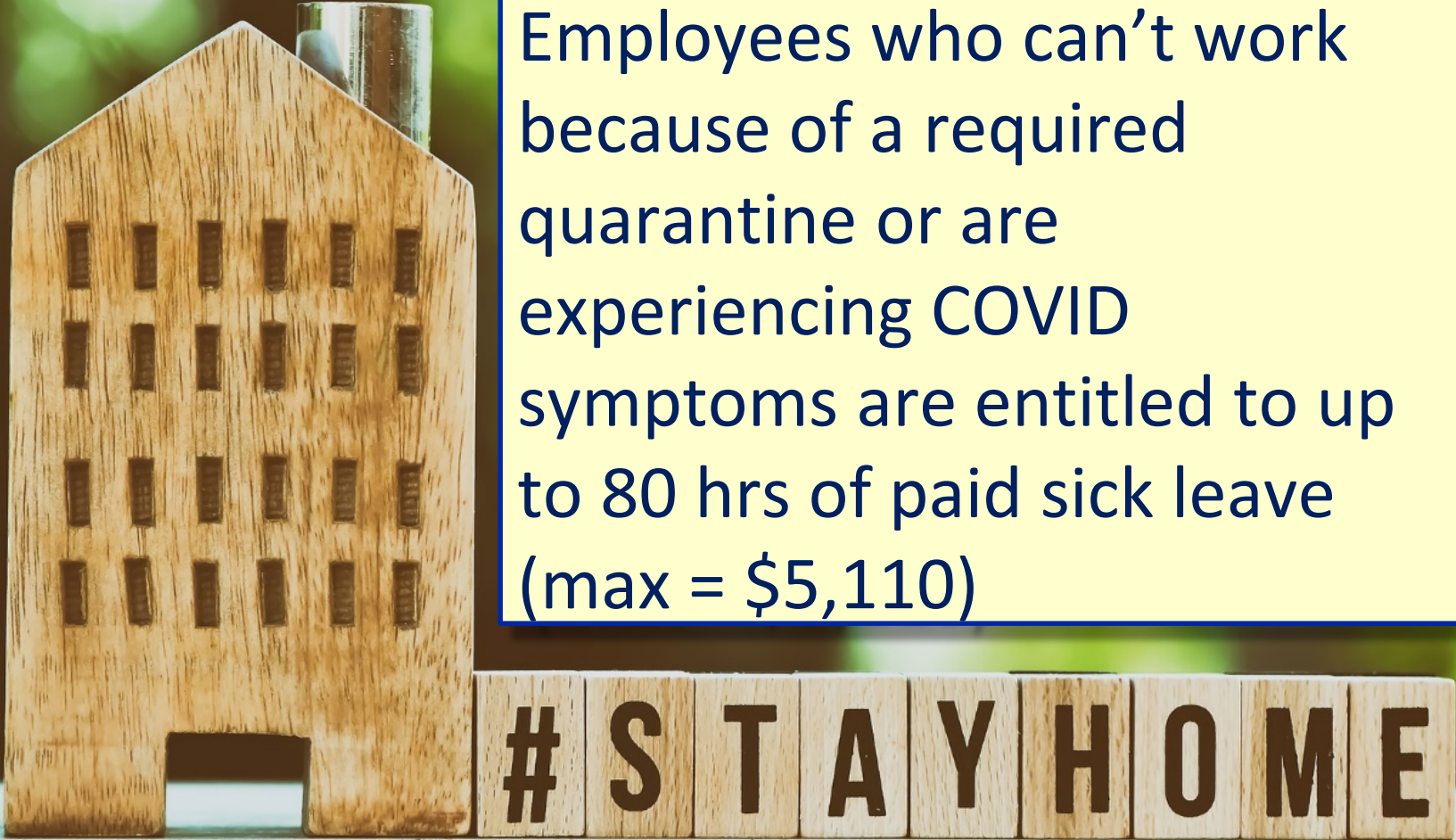
pp. A6–7

A wooden building model with a chimney and a row of wooden blocks spelling '# STAY HOME'. The building is made of light-colored wood and has a chimney on the right side. The blocks are arranged in a row, spelling out the phrase. The background is a blurred green, suggesting foliage.

Employers must provide paid sick leave if employee is unable to work for a variety of COVID-related issues

Payroll Credit for Required Paid Sick Leave

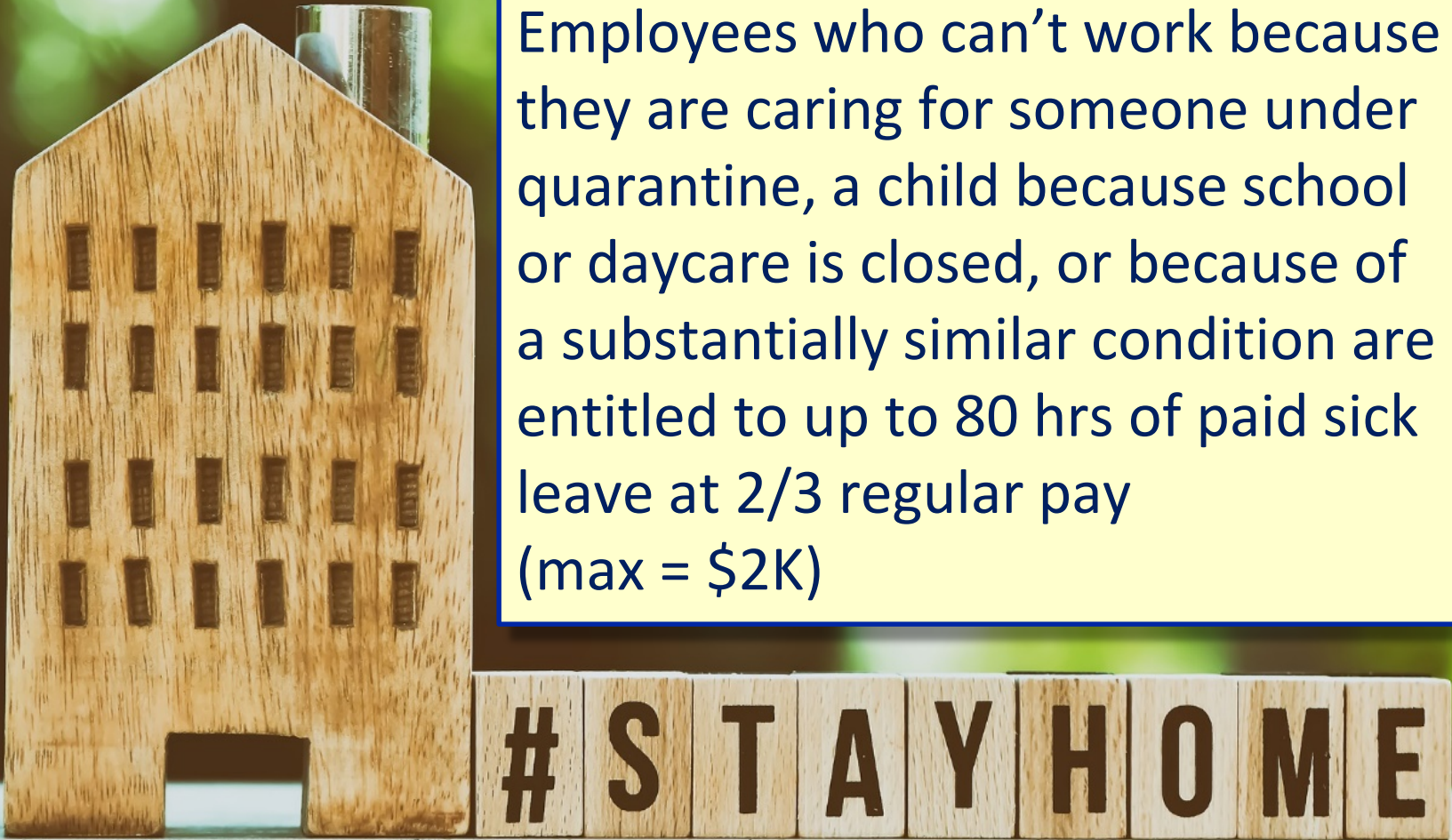
pp. A6–7

A wooden building model with a chimney and a row of wooden blocks spelling '# STAY HOME'. The building is made of light-colored wood and has a chimney on the right side. The blocks are arranged in a row, with the first block being a hashtag symbol and the others spelling out 'STAY HOME'.

Employees who can't work because of a required quarantine or are experiencing COVID symptoms are entitled to up to 80 hrs of paid sick leave (max = \$5,110)

Payroll Credit for Required Paid Sick Leave

pp. A6–7

A wooden building model with a chimney and a sign that reads '# STAY HOME' are positioned on the left side of the slide. The building is made of light-colored wood and has a grid of small rectangular windows. The sign is made of wooden blocks with the text '# STAY HOME' in black capital letters. The background is a blurred green and yellow bokeh.

Employees who can't work because they are caring for someone under quarantine, a child because school or daycare is closed, or because of a substantially similar condition are entitled to up to 80 hrs of paid sick leave at 2/3 regular pay (max = \$2K)

Reporting Payroll Credit

Qualified sick leave wages and qualified family leave wages reported on Form W-2 or separate statement

The qualified sick leave wages paid due to circumstances 1–3 must be reported separately from those wages paid due to circumstances 4–6 and separately from qualified family leave wages

5 Medicare wages and tips		6 Medicare tax withheld	
7 Social security tips		8 Allocated tips	
9		10 Dependent care benefits	
Suff.	11 Nonqualified plans	12a See instructions for box 12	
	13 Statutory employees Retirement Third-party sick pay	12b	
	14 Other	12c	
		12d	
Income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement

2020

Department of the Treasury—Internal Revenue Service

Copy A—For Social Security Administration. Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 10134D

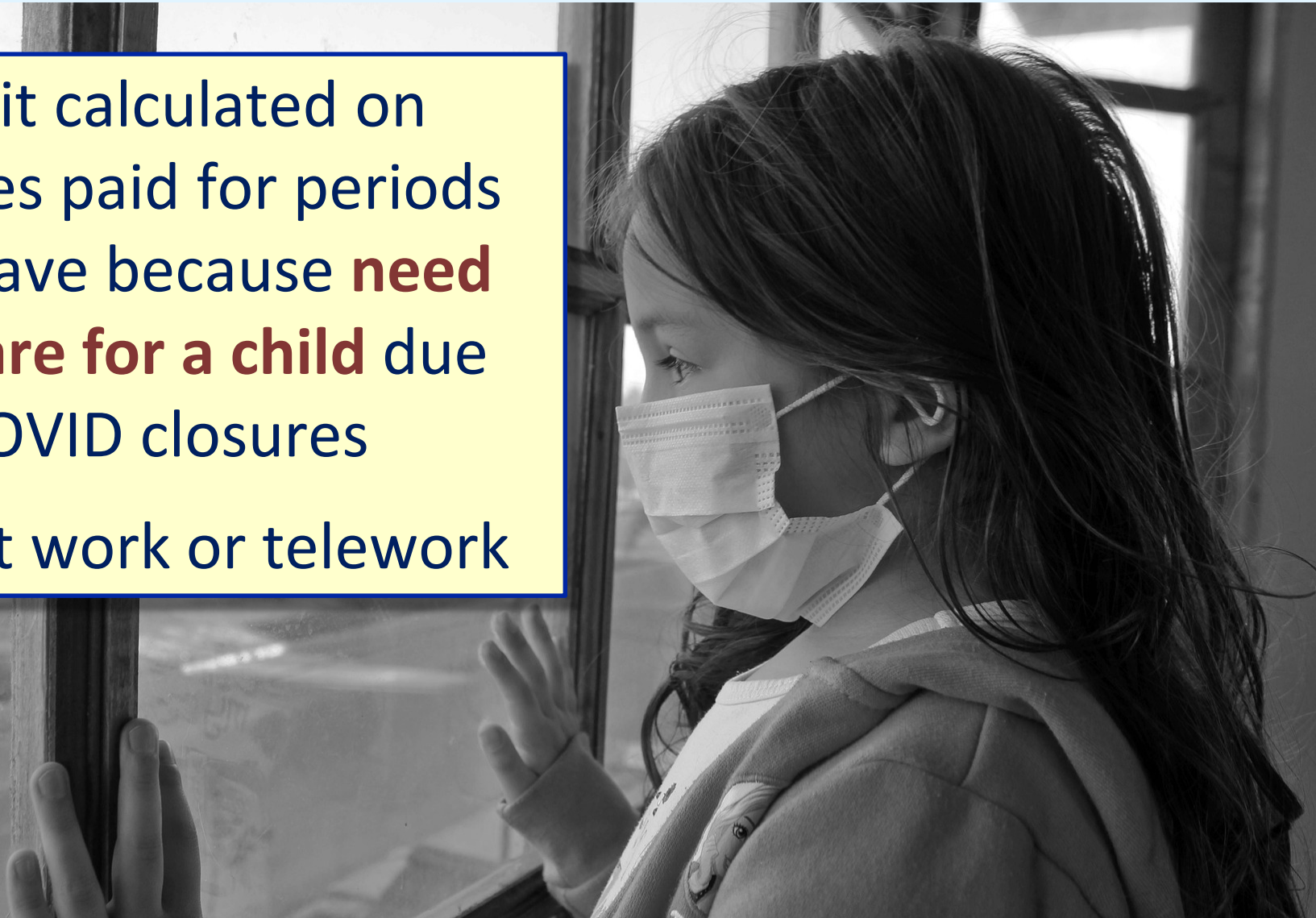
Do Not Cut, Fold, or Staple Forms on This Page

Claiming Payroll Credit

- ◆ Credit is claimed on federal employment tax return or reduce federal employment tax deposits
 - Can request an advance payment of the credit
- ◆ Maintain records and documentation
- ◆ IRS can assess, reconcile, and recapture any portion of payroll credit erroneously paid or refunded in excess of actual amount allowed (treated as underpayment)

Payroll Credit – Required Paid Family Leave

- ◆ Credit calculated on wages paid for periods of leave because **need to care for a child** due to COVID closures
- ◆ Can't work or telework



Payroll Credit – Required Paid Family Leave

- ◆ 1st 10 days of leave may be unpaid but employee may be entitled to receive qualified sick leave wages
- ◆ Paid family leave is in addition to paid sick leave credit



Ex. 3 - Miranda



Takes 14 weeks of leave (May - Aug. 2020) because daughter's childcare provider is closed due to COVID-19

Ex. 3 - Miranda



Paid **sick** leave of \$2K

\$400 regular pay rate
per day $\times \frac{2}{3} \times 10$ days
max = \$2,667
(capped at \$2K max)

Ex. 3 - Miranda



Paid **family** leave of \$10K

\$400 regular pay rate per
day $\times \frac{2}{3} \times 50$ days max
= \$13,333
(capped at \$10K max)

Ex. 3 - Miranda



Entitled to total of
\$12K of paid sick leave
and family leave

Claiming Credit

Gross wage
+ Medicare
+ Health care



Claiming Credit

- Claim credits on federal employment tax returns
- Request advance payment of credits (Form 7200)



Ex. 4 – Charming Prints

Family leave wages	\$4,500
Allocable qualified health plan expenses	400
Employer share of Medicare tax on family leave wages ($\$4,500 \times 1.45\%$)	65
Total	<u>\$4,965</u>

Employer portion social security taxes ($(\$30,000 \text{ total wages} - \$4,500 \text{ leave wages}) \times 6.2\%$)	\$1,581
Employee portion social security taxes ($\$30,000 \text{ total wages} \times 6.2\%$)	1,860
Total Medicare taxes (before credit for Medicare taxes on leave wages) ($\$30,000 \times 2.9\%$)	870
Federal income tax withholding on wages	<u>3,410</u>
Total taxes	\$7,721
Less: total family leave credit (calculated above)	<u>(4,965)</u>
Tax liability after credit	\$2,756

Ex. 4 – Charming Prints

Employers can also defer the employer's share of social security tax



Ex. 4 - Worksheet

Worksheet 1. Credit for Qualified Sick and Family Leave Wages and the Employee Retention Credit

Keep for Your Records



Determine how you will complete this worksheet

If you paid both qualified sick and family leave wages and qualified wages for purposes of the employee retention credit this quarter, complete Step 1, Step 2, and Step 3. If you paid qualified sick and family leave wages this quarter but you didn't pay any qualified wages for purposes of the employee retention credit this quarter, complete Step 1 and Step 2. If you paid qualified wages for purposes of the employee retention credit this quarter but you didn't pay any qualified sick and family leave wages this quarter, complete Step 1 and Step 3.

Step 1. Determine the employer share of social security tax this quarter after it is reduced by any credit claimed on Form 8974 and any credit to be claimed on Form 5884-C			
1a	Enter the amount of social security tax from Form 941, Part 1, line <u>5a</u> , column 2	1a	<u>3,162</u>
1b	Enter the amount of social security tax from Form 941, Part 1, line <u>5b</u> , column 2	1b	<u> </u>
1c	Add lines 1a and 1b	1c	<u>3,162</u>
1d	Multiply line 1c by 50% (0.50)	1d	<u>1,581</u>
1e	If you're a third-party payer of sick pay that isn't an agent and you're claiming credits for amounts paid to your employees, enter the employer share of social security tax included on Form 941, Part 1, line <u>8</u> (enter as a positive number)	1e	<u> </u>
1f	Subtract line 1e from line 1d	1f	<u>1,581</u>
1g	If you received a Section 3121(g) Notice and Demand during the quarter, enter the amount of the employer share of social security tax from the notice	1g	<u> </u>
1h	Employer share of social security tax. Add lines 1f and 1g	1h	<u>1,581</u>
1i	Enter the amount from Form 941, Part 1, line <u>11a</u> (credit from Form 8974)	1i	<u> </u>
1j	Enter the amount to be claimed on Form 5884-C, line 11, for this quarter	1j	<u> </u>
1k	Total nonrefundable credits already used against the employer share of social security tax. Add lines 1i and 1j	1k	<u> </u>
1l	Employer share of social security tax remaining. Subtract line 1k from line 1h	1l	<u>1,581</u>

Ex. 4 - Worksheet

Step 2. Figure the sick and family leave credit

2a	Qualified sick leave wages reported on Form 941, Part 1, line 5a(i), column 1	2a		
2a(i)	Qualified sick leave wages included on Form 941, Part 1, line 5c, but not included on Form 941, Part 1, line 5a(i), column 1, because the wages reported on that line were limited by the social security wage base	2a(i)		
2a(ii)	Total qualified sick leave wages. Add lines 2a and 2a(i)	2a(ii)		
2b	Qualified health plan expenses allocable to qualified sick leave wages (Form 941, Part 3, line 19)	2b		
2c	Employer share of Medicare tax on qualified sick leave wages. Multiply line 2a(ii) by 1.45% (0.0145)	2c		
2d	Credit for qualified sick leave wages. Add lines 2a(ii), 2b, and 2c	2d		
2e	Qualified family leave wages reported on Form 941, Part 1, line 5a(ii), column 1	2e	4,500	
2e(i)	Qualified family leave wages included on Form 941, Part 1, line 5c, but not included on Form 941, Part 1, line 5a(ii), column 1, because the wages reported on that line were limited by the social security wage base	2e(i)		
2e(ii)	Total qualified family leave wages. Add lines 2e and 2e(i)	2e(ii)	4,500	
2f	Qualified health plan expenses allocable to qualified family leave wages (Form 941, Part 3, line 20)	2f	400	
2g	Employer share of Medicare tax on qualified family leave wages. Multiply line 2e(ii) by 1.45% (0.0145)	2g	65	
2h	Credit for qualified family leave wages. Add lines 2e(ii), 2f, and 2g	2h		4,965
2i	Credit for qualified sick and family leave wages. Add lines 2d and 2h	2i		4,965
2j	Nonrefundable portion of credit for qualified sick and family leave wages. Enter the smaller of line 1l or line 2i. Enter this amount on Form 941, Part 1, line 11b	2j		1,581
2k	Refundable portion of credit for qualified sick and family leave wages. Subtract line 2j from line 2i and enter this amount on Form 941, Part 1, line 13c	2k		3,384

Ex. 4 - Worksheet

Step 3.

Figure the employee retention credit

- 3a Qualified wages (excluding qualified health plan expenses) for the employee retention credit (Form 941, Part 3, line 21) 3a _____
- 3b Qualified health plan expenses allocable to qualified wages for the employee retention credit (Form 941, Part 3, line 22) 3b _____
- 3c Qualified wages (excluding qualified health plan expenses) paid March 13, 2020, through March 31, 2020, for the employee retention credit (Form 941, Part 3, line 24). Enter an amount here only for the second quarter Form 941 3c _____
- 3d Qualified health plan expenses allocable to qualified wages paid March 13, 2020, through March 31, 2020, for the employee retention credit (Form 941, Part 3, line 25). Enter an amount here only for the second quarter Form 941 3d _____
- 3e Add lines 3a, 3b, 3c, and 3d 3e _____
- 3f **Retention credit.** Multiply line 3e by 50% (0.50) 3f _____
- 3g Enter the amount of the employer share of social security tax from Step 1, line 1l 3g _____
- 3h Enter the amount of the nonrefundable portion of the credit for qualified sick and family leave wages from Step 2, line 2j 3h _____
- 3i Subtract line 3h from line 3g 3i _____
- 3j **Nonrefundable portion of employee retention credit.** Enter the smaller of line 3f or line 3i. Enter this amount on Form 941, Part 1, line 11c 3j _____
- 3k **Refundable portion of employee retention credit.** Subtract line 3j from line 3f and enter this amount on Form 941, Part 1, line 13d 3k _____

Caution:
Only complete lines 3c and 3d for your second quarter 2020 Form 941.

Ex. 4 – Form 941

Part 1: Answer these questions for this quarter. (continued)	
11d Total nonrefundable credits. Add lines 11a, 11b, and 11c	11d 1,581 . 00
12 Total taxes after adjustments and nonrefundable credits. Subtract line 11d from line 10	12 6,140 . 00
13a Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter	13a 2,756 . 00
13b Deferred amount of the employer share of social security tax	13b .
13c Refundable portion of credit for qualified sick and family leave wages from Worksheet 1	13c 3,384 . 00
13d Refundable portion of employee retention credit from Worksheet 1	13d .
13e Total deposits, deferrals, and refundable credits. Add lines 13a, 13b, 13c, and 13d	13e 6,140 . 00
13f Total advances received from filing Form(s) 7200 for the quarter	13f .
13g Total deposits, deferrals, and refundable credits less advances. Subtract line 13f from line 13e	13g 6,140 . 00
14 Balance due. If line 12 is more than line 13g, enter the difference and see instructions	14 .
15 Overpayment. If line 13g is more than line 12, enter the difference	Check one: <input type="checkbox"/> Apply to next return. <input type="checkbox"/> Send a refund.
Part 2: Tell us about your deposit schedule and tax liability for this quarter	

Ex. 4 – Form 941

Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.	
17	If your business has closed or you stopped paying wages <input type="checkbox"/> Check here, and enter the final date you paid wages <input type="text"/> / <input type="text"/> / <input type="text"/> ; also attach a statement to your return. See instructions.
18	If you're a seasonal employer and you don't have to file a return for every quarter of the year <input type="checkbox"/> Check here.
19	Qualified health plan expenses allocable to qualified sick leave wages 19 <input type="text"/> .
20	Qualified health plan expenses allocable to qualified family leave wages 20 <input type="text"/> 400 . 00
21	Qualified wages for the employee retention credit 21 <input type="text"/> .
22	Qualified health plan expenses allocable to wages reported on line 21 22 <input type="text"/> .
23	Credit from Form 5884-C, line 11, for this quarter 23 <input type="text"/> .
24	Qualified wages paid March 13 through March 31, 2020, for the employee retention credit (use this line only for the second quarter filing of Form 941) 24 <input type="text"/> .
25	Qualified health plan expenses allocable to wages reported on line 24 (use this line only for the second quarter filing of Form 941) 25 <input type="text"/> .

Credit for Sick Leave for Self-Employed Individuals

Tax credit for paid sick leave to eligible self-employed individuals if unable to work or telework for COVID reasons



1. The self-employed individual is under a federal, state, or local quarantine or isolation order related to COVID-19.
2. The self-employed individual has been advised by a healthcare provider to self-quarantine due to concerns related to COVID-19.
3. The self-employed individual experiences symptoms of COVID-19 and seeks a medical diagnosis.
4. The self-employed individual cares for an individual who is subject to a federal, state, or local quarantine or isolation order related to COVID-19, or has been advised by a healthcare provider to self-quarantine due to concerns related to COVID-19.
5. The self-employed individual cares for their child if the child's school or place of care has been closed, or the childcare provider is unavailable due to COVID-19 precautions.
6. The self-employed individual experiences any other substantially similar condition specified by the secretary of HHS.

Credit for Sick Leave for Self-Employed Individuals

Unable to work/telework because of **items 1–3**

Qualified sick leave equivalent amount =
Number of days (10 days max) individual
cannot perform services in the applicable
trade or business

x Lesser of:

- \$511
- 100% of individual's average daily SE income for the tax year

Credit for Sick Leave for Self-Employed Individuals

Unable to work/telework because of **items 4–6**

Qualified sick leave equivalent amount =
Number of days (10 days max) individual
cannot perform services in the applicable
trade or business

x Lesser of:

- \$200
- 67% of individual's average daily SE income for the tax year

Claiming the Credit

- ◆ On Form 1040
- ◆ Can reduce payments of estimated income taxes

Form 7202		Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040 or 1040-SR. ▶ Go to www.irs.gov/Form7202 for instructions and the latest information.		2020 Attachment Sequence No. 202
Name of person with self-employment income (as shown on Form 1040 or 1040-SR)			Social security number of person with self-employment income	
Part I Credit for Sick Leave for Certain Self-Employed Individuals				
1	Number of days you were unable to perform services as a self-employed individual because of certain coronavirus-related care you required. See instructions		1	
2	Number of days you were unable to perform services as a self-employed individual because of certain coronavirus-related care you provided to another. (Do not include days you included in line 1.) See instructions		2	
3	If you are filing a fiscal year return, see instructions; otherwise enter 10		3	
4	Enter the smaller of line 1 or line 3		4	
5	Subtract line 4 from line 3		5	
6	Enter the smaller of line 2 or line 5		6	
7	Net earnings from self-employment (see instructions)		7	
8	Divide line 7 by 260 (round to nearest whole number)		8	
9	Enter the smaller of line 8 or \$511		9	
10	Multiply line 4 by line 9		10	
11	Multiply line 8 by 67% (0.67)		11	
12	Enter the smaller of line 11 or \$200		12	
13	Multiply line 6 by line 12		13	
14	Add lines 10 and 13		14	
15	Amount of emergency paid sick leave subject to the \$511 per day limit you received from an employer (see instructions)		15	
16	Amount of emergency paid sick leave subject to the \$200 per day limit you received from an employer (see instructions)		16	
If line 15 and line 16 are both zero, skip to line 24 and enter the amount from line 14.				
17	Add line 13 and line 16		17	
18	Enter the smaller of line 17 or \$2,000		18	
19	Subtract line 18 from line 17		19	
20	Add lines 10, 15, and 18		20	
21	Enter the smaller of line 20 or \$5,110		21	
22	Subtract line 21 from line 20		22	
23	Add line 19 and line 22		23	
24	Subtract line 23 from line 14. If zero or less, enter -0-. Enter here and include on Schedule 3 (Form 1040), line 12b		24	

Credit for Family Leave For Self-Employed Individuals

p. A17



days (up to 50) out of work x lesser of \$200 or 67% of the average daily SE income

Credit for Family Leave For Self-Employed Individuals



- ◆ Claim credit on Form 1040 (via Form 7202)
- ◆ Reduce estimated income tax payments

Draft Form 7202

1040), line 12b **24**

Part II Credit for Family Leave for Certain Self-Employed Individuals

25	Number of days you were unable to perform services as a self-employed individual because of certain coronavirus-related care you provided to a son or daughter under the age of 18. (Do not enter more than 50 days.) See instructions	25	
26	Net earnings from self-employment (see instructions)	26	
27	Divide line 26 by 260 (round to nearest whole number)	27	
28	Multiply line 27 by 67% (0.67)	28	
29	Enter the smaller of line 28 or \$200	29	
30	Multiply line 25 by line 29	30	
31	Amount of emergency family leave wages you received from an employer (see instructions)	31	
If line 31 is zero, skip to line 35 and enter the amount from line 30.			
32	Add line 30 and line 31	32	
33	Enter the smaller of line 32 or \$10,000	33	
34	Subtract line 33 from line 32	34	
35	Subtract line 34 from line 30. If zero or less, enter -0-. Enter here and include on Schedule 3 (Form 1040), line 12b	35	

For Privacy Act and Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 56395K

Form **7202** (2020)