

TAX-PAYER RELIEF

The CARES Act Provides Significant Tax Relief for Employers

As COVID-19 cases are on the rise, more employees will miss work due to being sick or caring for a family member.



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This issue will become problematic not only for employees but also employers. Fortunately, the new legislation under the FFCRA (Families First Coronavirus Response Act) and the CARES

Act addresses these issues among others. In this article, we summarize four important payroll tax credit mechanisms that can provide valuable tax relief for employers.

- 1. Employee Retention Credit:** A maximum \$5,000 per employee refundable payroll tax credit for certain employers that retain employees.
- 2. Employer Payroll Tax Deferrals:** Deferral of an unlimited amount of employer Social Security taxes to the end of 2021 and 2022.
- 3. Payroll Credit for Required Sick Leave:** A refundable payroll tax credit equal to any payments of the new required sick leave.
- 4. Payroll Credit for Required Family Leave:** A refundable payroll tax credit equal to any payments of the new required family leave.

Employee Retention Credit – In order to qualify for this credit, your business must have been impacted by a full or partial suspension of operations



by state, federal, or local mandatory decree or a 50% reduction in gross receipts.

Employer Payroll Tax Deferrals – The tax deferral allows eligible employers the opportunity to defer the 6.2% FICA portion of the employer's payroll tax for any payroll period paid between March 27, 2020 and Dec. 31, 2020. This rule permits eligible employers to pay 50% of the deferred amount on Dec. 31, 2021, and the remaining 50% on Dec. 31, 2022.

Payroll Credit for Required Sick Leave – This refundable payroll tax credit is meant to make the employer whole with respect to those wages that

the FFCRA required it to pay. The credit is allowed in an amount equal to 100% of the qualified sick leave wages (up to \$511/day) paid by the employer during 2020. Qualified sick leave wages only include standard wages required to be paid by an employer under the FFCRA (effective April 1, 2020). In addition to the credit, employers are not subject to payroll taxes on qualified wages.

The Family Leave Credit – This credit works almost identical to the sick leave credit, as it is also a credit equal to 100% of any wages and healthcare expenses that an employer is required to pay under the FFCRA. An employer is only required to pay up to \$200 per

day under the required paid family leave, and the tax credit is limited to this amount. The only category of employee that's eligible for paid family leave under FFCRA are those who are unable to perform services (including telework) because of a need to care for a child whose school or place of care is closed or whose childcare provider is unavailable due to COVID-19.

This article is a brief summary of some of the rules around the above tax credits. It is not comprehensive nor complete.

For more information, please visit our Corona Virus Resource Page or contact Bill West, CPA to learn more about lucrative tax incentives.