

Everything You Need to Know About COVID-19 Employment Tax Credits

- 1.) A refundable tax credit (Employee Retention Credit) for 50% of wages (up to \$10,000 of wages per employee) paid during the COVID-19 period (March 12, 2020-December 31, 2020) will be allowed. This credit applies to ALL employee wages for eligible employers with **100 or fewer full-time employees**.
 - a.) Applies when operations are fully or partially suspended under orders from an appropriate governmental authority limiting commerce, travel, or group meetings, OR
 - b.) Gross receipts for a calendar quarter are less than 50% for the same quarter of the previous year and continues each quarter until gross receipts for the calendar quarter are greater than 80% of the same quarter of the previous year. (This could include 1st, 2nd, 3rd and 4th quarters of 2020.)
 - c.) Non-profits carrying on a trade or business with suspension of business operations under a governmental order will include ALL operations of the non-profit entity.
 - d.) An employer is not eligible for this credit if it receives a covered “interruption” loan under Sec 1102 of the CARES Act, specifically Personal Paycheck Protection loans.
- 2.) A refundable tax credit (Emergency Family and Medical Leave) for 100% qualified family leave and sick pay (up to \$10,000 of wages per employee) will be allowed for payments from April 1, 2020 through December 31, 2020. This credit applies to employers with **fewer than 500 employees**.
 - a.) **Most employers MUST** provide public health emergency leave to employees under the Family and Medical Leave Act of 1993 as amended by the Families First Coronavirus Response Act.
 - b.) Employers with fewer than 50 employees will be eligible for an exemption from the leave requirements related to school closings or childcare unavailability if the requirements would jeopardize the business’s ability to continue.
 - c.) Only wages paid to employees when they are not providing services due to the COVID-19 related circumstances will qualify.
 - d.) Wages paid under this act are **NOT** considered wages for FICA purposes. The credit is increased by the employer’s share of Medicare tax and the employer’s qualified health plan expenses properly allocable to the qualified sick leave wages or the qualified family leave wages.
 - e.) The claimed credit amount is included in the employer’s gross income.
 - f.) An employer may elect to not have the credit apply for a calendar quarter. An election must elect out at the time and manner provided by the IRS (probably a statement attached to the 941 return or a new check box on the form).

- g.) Employers may reduce the required payroll tax deposits by the amount of the expected credit. If the expected credit exceeds the required payroll tax deposit amount, a request for an accelerated advance payment can be filed, which the IRS expects to process within two weeks or less.**
 - h.) Includes employees who cannot work, but must care for a child under age 18 because either the child's school or place of care has been closed due to COVID-19 circumstances, or the care provider is unavailable due to COVID-19 circumstances.
 - i.) Only employees that have been on the job for at least 30 days can be considered.
 - j.) Up to 10 days of sick leave and 50 days of family leave can be included. The first 10 days may be unpaid.
 - k.) Amount cannot exceed the amount each employee would have been paid for working an equivalent duration during the 30 days immediately preceding the particular period or \$200 per day. The maximum amount is increased to \$511 per day the employee 1) is subject to a federal, state, or local quarantine or isolation order related to COVID-19, 2) has been advised by a health care provider to self-quarantine due to concerns related to COVID-19, or 3) is experiencing symptoms and seeking a medical diagnosis.
 - l.) Self-employed persons can receive a similar credit for 67% of the average self-employment income (annual SE income divided by 260 days) for the tax year, not to exceed \$200 per day (up to 50 days), reduced by any family leave wages received from an employer.
- 3.) Additional rules for both credits
- a.) Credits are refundable. Expected credit can be used to reduce federal tax deposits of the entity or estimated income tax payments of an individual.
 - b.) Number of employees is determined from 2019 full-time employees (not full-time equivalents) averaging at least 30 hours per week during 2019.
 - c.) Total credit cannot exceed \$10,000 for each employee.