



TRAPHAGEN
CPAs & WEALTH ADVISORS

234 Kinderkamack Road
Oradell, New Jersey 07649
Phone: 201-262-1040
www.tfgllc.com



**The Families First
Coronavirus Response Act
H.R. 6201**

IMPORTANT TAX UPDATE

Pursuant to the Families First Coronavirus Response Act (Act), signed by President Trump on March 18, 2020, the IRS, and the U.S. Department of Labor (Labor) have announced that small and midsize employers can begin taking advantage of two new refundable payroll tax credits, designed to immediately and fully reimburse them, dollar-for-dollar, for the cost of providing Coronavirus-related (COVID-19) leave to their employees. Eligible employers will be able to claim these credits based on qualifying leave they provide between the effective date and December 31, 2020.

The Act will give all American businesses with fewer than 500 employees funds to provide employees with paid leave, either for the employee's own health needs or to care for family members. The policy reasons for the Act are to enable employers to keep their workers on their payrolls, while simultaneously ensuring that workers are not forced to choose between their paychecks and the public health measures needed to combat the virus.

Key Provisions

Paid Sick Leave for Workers

- Employees of eligible employers can receive two weeks (up to 80 hours) of

paid sick leave at 100% of the employee's pay where the employee is unable to work because the employee is quarantined, and/or experiencing COVID-19 symptoms, and seeking a medical diagnosis.

- An employee who 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 can receive two weeks (up to 80 hours) of paid sick leave at 2/3 the employee's pay.
- An 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, may in some instances receive up to an **additional ten weeks** of expanded paid family and medical leave at 2/3 the employee's pay.

Employers receive 100% reimbursement for paid leave pursuant to the Act

Paid Sick Leave Credit

- For an employee who is unable to work because of Coronavirus quarantine or self-quarantine or has Coronavirus symptoms and is seeking a medical diagnosis, 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.
- For an employee who is caring for someone with Coronavirus, or is caring for a child because the child's school or child care facility is closed, or the child care provider is unavailable due to the Coronavirus, eligible employers may claim a credit for two-thirds of the employee's regular rate of pay, up to \$200 per day and \$2,000 in the aggregate, for up to 10 days. Eligible employers are entitled to an additional tax credit determined based on costs to maintain health insurance coverage for the eligible employee during the leave period.

Child Care Leave Credit

- In addition to the sick leave credit, for an employee who is unable to work because of a need to care for a child whose school or childcare facility is closed or whose childcare provider is unavailable due to the Coronavirus, eligible employers may receive a refundable childcare leave credit. This credit is equal to two-thirds of the employee's regular pay, capped at \$200 per day or \$10,000 in the aggregate. Up to 10 weeks of qualifying leave can be counted towards the childcare leave credit. Eligible employers are entitled to an additional tax credit determined based on costs to maintain health insurance coverage for the eligible employee during the leave period.

Also provided in the Act

- Health insurance costs are also included in the credit.
- Employers face no payroll tax liability.
- Self-employed individuals receive an equivalent credit. These credits will be claimed on their income tax return and will reduce estimated tax payments.

Prompt Payment for the Cost of Providing Leave

When employers pay their employees, they are required to withhold from their employees' paychecks federal income taxes and the employees' share of Social Security and Medicare taxes. The employers then are required to deposit these federal taxes, along with their share of Social Security and Medicare taxes, with the IRS and file quarterly payroll tax returns (Form 941 series) with the IRS.

- Under guidance that will be released shortly, eligible employers who pay qualifying sick or childcare leave will be able to retain an amount of the payroll taxes equal to the amount of qualifying sick and childcare leave that they paid, rather than deposit them with the IRS.
- The payroll taxes that are available for retention include withheld federal income taxes, the employee share of Social Security and Medicare taxes, and the employer share of Social Security and Medicare taxes with respect to all employees.
- If there are not enough payroll taxes to cover the cost of qualified sick and childcare leave paid, employers will be able to file a request for an accelerated payment from the IRS. The IRS expects to process these requests in two weeks or less. The details of this new, expedited procedure will be announced shortly.

Small Business Protection

Small businesses with fewer than 50 employees will be eligible for an exemption from the leave requirements relating to school closings or childcare unavailability where the requirements would jeopardize the ability of the business to continue.

Non-Enforcement Period

Labor will be issuing a temporary non-enforcement policy that provides a period of time for employers to come into compliance with the Act. Under this policy, Labor will not bring an enforcement action against any employer for violations of the Act so long as the employer has acted reasonably and in good faith to comply with the Act. Labor will instead focus on compliance assistance during the 30-day period.

Stimulus Package

In the early morning hours of Wednesday, March 25, 2020, lawmakers and the Trump administration reached an agreement on an estimated \$2 trillion stimulus package aimed at shielding the U.S. economy from the worst consequences of the Coronavirus Pandemic. We will keep you informed of the details of this legislation as soon as it becomes available.

If you have any questions about how these regulations apply to your

particular situation, please contact our office so we can assist you.

Traphagen CPAs & Wealth Advisors

SUCCESS

VISION | CARE | TRUST

201-262-1040

www.tfgllc.com

Our Firm is Dedicated to Your Financial Success!