



WHAT YOU NEED TO KNOW: CORONAVIRUS (COVID-19) PAID LEAVE AND TAX CREDITS FOR SMALL AND MIDSIZE BUSINESSES

The U.S. Treasury Department, the IRS, and DOL announced on March 20, 2020 that small and midsize employers can begin taking advantage of two new refundable payroll tax credits, designed to immediately and fully reimburse them for the cost of providing Coronavirus-related leave to their employees. Similar tax credits are available to those who are self-employed.

As the DOL summarizes: “The Families First Coronavirus Act will give all American businesses with fewer than 500 employees the ability to provide employees with paid leave, either for the employee’s own health needs or to care for family members. The Act will allow employers to keep staff on their payrolls, while ensuring that workers are not forced to choose between their paychecks and the public health measures needed to combat the virus.” [Click here to read the full news release.](#)

Section 6001 of this Act includes more details about coverage of testing for COVID-19.

Eligible employers are entitled to an additional tax credit based on the costs to maintain health insurance coverage for the eligible employees during the leave period.

Main Points

- *Paid Sick Leave for Workers:* For COVID-19 related reasons, employees receive up to 80 hours of paid sick leave and expanded paid childcare leave when employees’ children’s schools are closed or childcare providers are unavailable.
- *Complete Coverage:* Employers receive 100% reimbursement for paid leave under the Act. Health insurance costs are included in this credit. Employers face no payroll tax liability. Self-employed individuals receive an equivalent credit.

Fast Funds

An immediate dollar-for-dollar tax offset against payroll taxes will be provided. Where a refund is owed, the IRS will send the refund as quickly as possible.

Small Business Protection

Employers with fewer than 50 employees are eligible for an exemption from the requirements to provide leave to care for a child whose school is closed, or childcare is unavailable in cases where the viability of the business is threatened. Additional information on this exemption will be forthcoming.

Easing Compliance

There is a 30-day non-enforcement period for good faith compliance efforts. To take immediate advantage of the paid leave credits, businesses can retain and access funds that they would otherwise pay to the IRS in payroll taxes. If those amounts are not sufficient to cover the cost of paid leave, employers can seek an expedited advance from the IRS by submitting a streamlined claim form that is soon to be released.

We urge employers to review the IRS news release that explains these points in greater detail. [Click here for the IRS news release.](#)

* Please note that Enquiron is not a tax advice service. This guidance is issued as a courtesy; specific tax questions should be directed to a tax law professional such as an accountant or tax attorney.