IRS Changes Position on Health Costs for Furloughed Employees

Dear Valued Client,

On May 7, the US Treasury Department announced that it will be revising its guidance to change its position on tax credits for employer health costs for employees who are not receiving wages.

Under the Employee Retention Credit (ERC) provisions of the CARES Act, if a qualified employer continues to pay wages to certain employees, it can claim a credit against its federal tax deposit liabilities for 50% of those wages up to $10,000 per employee. In addition, employer payments for health coverage for those employees are also included in the credit.

According to FAQs issued on April 29, if employees were NOT paid wages, there was no credit at all – not even for health coverage continuation costs. (See FAQ 58, 64, and 65 issued by the IRS on April 29).

In response to disputing views expressed by congresspersons, the Treasury retracted this position and stated that it will be revising the applicable guidance regarding health costs. Even if an employee is not paid wages, the employer will be able to claim its payments for maintaining employee health care coverage as part of the ERC.

In anticipation of the guidance to be issued by the IRS, if you have employees on furlough for whom you continue to pay for health coverage, refer to Viventium's **COVID-19 Tax Credits Client Guide** to learn how to maximize your credit.

If you have any questions about the new position of the IRS, please reach out to your Dedicated Client Services Team.

Important: If you have received a PPP loan, you are not eligible for the Employee Retention Credit for wages or health care costs paid, so this IRS change will not impact you.

In it with you,

Your Viventium Team