



Dear Valued Client,

On March 20, the Internal Revenue Service released guidance on the Families First Coronavirus Response Act passed by Congress on March 18. This guidance outlines two new refundable tax credits that employers can use to offset their federal tax deposit liabilities each payroll.

Background

The Families First Coronavirus Response Act (H.R. 6201) mandates employers of less than 500 employees to provide 80 hours (10 days) of paid sick leave to employees for coronavirus-related reasons. Leave for quarantine or self-care is limited to the employee's regular pay up to \$511 per day and \$5,110 total, while leave due to caring for a quarantined individual or child whose school/care facility is closed is limited to 2/3 of the employee's pay up to \$200 per day and \$2,000 total.

In addition, employers must provide 12 weeks of emergency Family and Medical Leave (FMLA) to any employee who has been on payroll for at least 30 days and needs to care for a child whose school or daycare facility has been closed due to COVID-19. The first 2 weeks are unpaid, and the remaining 10 weeks are paid at 2/3 of the employee's regular pay up to \$200 per day and \$10,000 total. The IRS is referring to this as child care leave.

Swift Recovery of Cost of Paid Leave

In order to provide employers with prompt payment for the costs of this leave, the IRS is allowing employers to reduce their federal tax deposits each payroll by the amount of sick and child care leave they pay with that payroll. The credit is not calculated on an individual employee basis; rather, all paid leave payments reduce the total federal withholding tax and employee and employer Social Security and Medicare taxes that the employers would otherwise have had to deposit.

Additionally, since the credits are refundable, if the leave paid exceeds the federal tax deposit for the payroll, employers will submit a streamlined claim form to the IRS for the excess and receive reimbursement within two weeks. The IRS plans to release the claim form this week.

Additional Provisions

Employers' health insurance costs for individuals on sick or child care leave are added to the credit and may also be offset against federal tax deposits.

Businesses with less than 50 employees whose viability would be jeopardized by the requirement to pay leave are exempt from the law. The Department of Labor will issue specific criteria for this exemption.

For the first 30 days, the Department of Labor will not bring enforcement action against employers who are making a good faith effort to comply with the new law.

The paid leave and credit provision will be in effect until December 31, 2020.

Next Steps

We are awaiting further guidance from the IRS regarding the implementation, tracking, and reporting of the tax credits. Once this guidance is released, Viventium will support the processing of paid sick and child care leave through our system as well as the credits against federal tax deposits.

Be assured that we are continually monitoring developments and doing the necessary research needed so that we can support this as soon as further guidance is released. We will keep you updated, and please do not hesitate to reach out if you have any questions. For the latest developments, please visit [Viventium Coronavirus \(COVID-19\) Update Center](#).

If you need to make an expedited sick leave or child care payment prior to our system release, please reach out to your Client Services Team directly for further guidance.

We are in it with you.

Thank you,

Viventium