



# PAYROLL GUIDE

## TO COVID-19 TAX CREDITS

### REGULATION: Families First Coronavirus Response Act (FFCRA)

### PAYROLL TAX CREDIT: Emergency Paid Family and Sick Leave (EPSL) *\*as of January 1, 2021*

[US Department of Labor Families First Coronavirus Response Act: Employee Paid Leave Rights](#)

[IRS COVID-19-Related Tax Credits for Required Paid Leave Provided by Small and Midsize Businesses FAQs](#)

Interaction with other Credits	Eligible Employers	Tax Credits Available	941 Payroll Tax Reduction	Form 7200 or Form 941	Additional Information
<p>As an Eligible Employer, you <b>can</b> utilize the Credits available under both the FFCRA and the CARES Act, as long as the Credits are not used for the same wages.</p> <p>PPP loan proceeds cannot be used to pay leave which is eligible for this credit.</p>	<p>Less than 500 employees</p> <p><b>NOTE: If you are considered an integrated employer with multiple entities by the Fair Labor Standards Act (FLSA) and Family Medical Leave Act (FMLA) – the employee count is a combined total of all entities.</b></p> <p>Eligible businesses are required to provide these wages for eligible leave that began April 1, 2020 through December 31, 2020</p> <p>Payment of these wages is optional for leave that began January 1, 2021 through March 31, 2021</p>	<p>Gross FFCRA Wages Paid</p> <p>*Employer Social Security</p> <p>Employer Medicare</p> <p>Health insurance costs (invoice cost)</p> <p>*These earnings are exempt for employer Social Security when paid</p>	<p>To receive as much of the credit as possible, you can deduct the tax credits available from each 941 payment.</p> <p>*The earning payment should already exempt the <b>employer</b> Social Security.</p> <p><b>*Per the IRS:</b> Eligible employers subject to the Railroad Retirement Tax Act (RRTA) are not subject to either Social Security tax or Medicare tax on the qualified sick leave wages; accordingly, they do not get a credit for Medicare tax.</p>	<p>If the credit is more than the 941 payment, you can either:</p> <ul style="list-style-type: none"> <li>• Reconcile the additional credits on the Form 941 for a refund</li> <li>• File Form 7200 to get the credits in advance</li> </ul> <p><a href="#">Form 7200</a> can be filed at any time before the end of the month following the quarter in which you paid the qualified wages (for example, for Q2 wages, you have until July 31).</p> <p>You can also file this Form multiple times throughout the quarter.</p> <p>Fax the Form to: 855-248-0552.</p>	<p>Establish new earning codes for each of the pay types. This will allow you to track the earnings, maximum amount employees can receive and exempt them from <b>employer</b> Social Security (*see note on RRTA).</p> <p><b>Recommended earning codes:</b></p> <p><b>EPSL100:</b> This will reflect the two-week period where they are paid \$511/day or \$5,110 in total.</p> <p><b>FFCRA10:</b> This will reflect the two-week period where they are paid 67% of their wages up to \$200/day or \$2,000 in total if they are quarantined or caring from someone with COVID-19.</p> <p><b>CHILDCARE10:</b> This will reflect the two-week period where they are paid 67% of their wages up to \$200/day or \$2,000 in total for childcare issues related to COVID-19.</p> <p><b>CHILDCARE50:</b> This will reflect 10-week period where they are paid 67% of their wages up to \$200/day or \$10,000 in total for childcare issues related to COVID-19.</p> <p><b>NOTE:</b> Verify the benefit eligibility for these earnings for retirement fund deferrals.</p>



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## TO COVID-19 TAX CREDITS

### REGULATION: Coronavirus Aid, Relief and Economic Security Act (CARES)

### PAYROLL TAX CREDIT: Employee Retention Tax Credit (ERTC) *\*as of January 1, 2021*

[FAQs: Employee Retention Credit under the CARES Act](#)

Interaction with other Credits	Eligible Employers	Tax Credits Available	941 Payroll Tax Reduction	Form 7200 or Form 941	Additional Information
<p>As an Eligible Employer, you <b>can</b> utilize the credits available under both the FFCRA and the CARES Act, as long as the credits are not used for the same wages.</p> <p>Employers may still qualify for the ERTC with respect to wages not paid with forgiven PPP Loan amounts</p> <p>If any credit amount is available for 2020 – it can be applied to the 4th quarter 2020 Form 941</p>	<p>Eligible Employers that are entitled to claim the Employee Retention Credit are private-sector businesses and tax-exempt organizations that carry on a trade or business during calendar year 2020 and either:</p> <ul style="list-style-type: none"> <li>Have operations that were fully or partially suspended during any calendar quarter from March 13, 2020 through June 30, 2021 due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19.</li> </ul> <p style="text-align: center;"><b>- OR -</b></p> <ul style="list-style-type: none"> <li>Experienced a significant decline in gross receipts during the calendar quarter.</li> </ul> <p><b>Beginning January 1, 2021:</b> Eligibility for the credit adjusted for a year-over-year gross receipts decline to 20% (50% in 2020) and provides a safe harbor allowing employers to use prior quarter gross receipts to determine eligibility</p> <p>Tax-Exempt public colleges, universities and hospitals that are described in IRC Section 501(c)(1) may be eligible and are treated as carrying on a trade or business for purposes of the ERTC</p>	<p><b>March 13, 2020 to December 31, 2020</b></p> <p>For qualified wages (including qualified health plan expenses) : 50% of the wages paid in a calendar quarter (maximum credit \$5,000 for 2020)</p> <p><b>January 1, 2021 to June 30, 2021</b></p> <p>For qualified wages (including qualified health plan expenses) : 70% of the wages paid in a calendar quarter (maximum credit \$7,000 per quarter in 2021 - \$14,000 total for 2021)</p> <p>The Employee does not need to have wages to qualify for the allocable health care expenses</p>	<p>To receive as much of the credit as possible, you can deduct the tax credits available from each 941 payment.</p>	<p>If the credit is more than the 941 payment, you can either:</p> <ul style="list-style-type: none"> <li>Reconcile the additional credits on the Form 941 for a refund</li> <li>File Form 7200 to get the credits in advance</li> </ul> <p><a href="#">Form 7200</a> can be filed at any time before the end of the month following the quarter in which you paid the qualified wages (for example, for Q2 wages, you have until July 31).</p> <p>You can also file this Form multiple times throughout the quarter.</p> <p>Fax the Form to: 855-248-0552.</p> <p><b>NOTE: Qualified wages paid between March 13 and March 31, 2020, should be added to the Q2 2020 Form 941.</b></p>	<p><b>March 13, 2020 to December 31, 2020</b></p> <p>For Employers with an average of <b>100 or less employees in 2019</b>, ALL WAGES (to include healthcare costs) are qualifying wages.</p> <p>For Employers with an average employee count of <b>more than 100 full-time employees in 2019</b>, qualified wages are the wages paid to an employee for time that the employee is <b>not providing services</b> due to COVID-19.</p> <p><b>January 1, 2021 to June 30, 2021</b></p> <p>For Employers with an average of <b>500 or less employees in 2019</b>, ALL WAGES (to include healthcare costs) are qualifying wages.</p> <p>For Employers with an average employee count of <b>more than 500 full-time employees in 2019</b>, qualified wages are the wages paid to an employee for time that the employee is <b>not providing services</b> due to COVID-19.</p> <p><a href="#">COVID-19-Related Employee Retention Credits: Determining Qualified Wages FAQs</a></p>



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### Calculating Allocable Qualified Health Plan Expenses for the FFCRA and CARES Act

[COVID-19-Related Tax Credits: Determining the Amount of Allocable Qualified Health Plan Expenses FAQs](#)

**The Qualified Health Plan Expenses can be calculated by using the:**

1. COBRA applicable premium for the employee typically available from the insurer
2. One average premium rate for all employees
3. A substantially similar method that takes into account the average premium rate determined separately for employees with self-only and other than self-only coverage

**The Qualified Health Plan Expenses for a SELF-INSURED plan can be calculated by using the:**

1. COBRA applicable premium for the employee typically available from the administrator
2. Any reasonable actuarial method to determine the estimated annual expenses of the plan

**Example:** An Eligible Employer sponsors an insured group health plan that covers 400 employees, some with self-only coverage and some with family coverage. Each employee is expected to have 260 work days a year (five days a week for 52 weeks). The total annual premium for the 400 employees is \$5.2 million. For an Eligible Employer using one average premium rate for all employees, the average annual premium rate is \$5.2 million divided by 400, or \$13,000. For each employee expected to have 260 work days a year, this results in a daily average premium rate equal to \$13,000 divided by 260, or \$50. That \$50 is the amount of qualified health expenses allocated to each day of paid sick or family leave per employee.

### REGULATION: Coronavirus Aid, Relief and Economic Security Act (CARES)

### PAYROLL TAX CREDIT: Payroll Tax Deferral *\*as of January 1, 2021*

[Deferral of Employment Tax Deposits and Payments through December 31, 2020](#)

Interaction with other Credits	Eligible Employers	Tax Credits Available	941 Payroll Tax Reduction	Form 7200 or Form 941	Additional Information
<p>As an Eligible Employer, you can utilize the Credits available under the FFCRA, as long as the Credits are not used for the same wages.</p> <p><b>NOTE:</b> Employers who received a PPP Loan can participate in this relief benefit through December 31, 2020.</p>	All	No Tax Credit – only <b>DEFERRAL</b> of payments	<p><b>DEFERRAL</b> of payments</p> <p>Employer portion of Social Security Tax from March 27, 2020 - December 31, 2020</p> <p><b>NOTE:</b> The deferral applies to deposits and payments of the employer’s share of Social Security tax that would otherwise be required to be made during the period beginning on March 27, 2020, and ending December 31, 2020. (Section 2302 of the CARES Act calls this period the “payroll tax deferral period.”).</p>	Reconciled on Form 941	<p>Deferred payments are due:</p> <ul style="list-style-type: none"> <li>• December 31, 2021, 50% of the deferred amount.</li> <li>• December 31, 2022, the remaining amount.</li> </ul>