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3 Virus-Related Tax Credits IRS Pays In Cash Long Before Tax Time

Businesses are trying to stay afloat and trying to manage cash. And worry about how to pay for it all can be consuming. Tax credits are not the answer for everyone, but they can put money back in your pocket at tax time, and even before. The before part is especially attractive. Here are three credits employers can claim.

Employee Retention Credit. The employee retention credit is designed to encourage businesses to keep employees on their payroll. The refundable tax credit is 50% of up to \$10,000 in wages paid by an eligible employer whose business has been financially impacted by COVID-19. The credit is available to all employers regardless of size, including tax-exempt organizations. There are only two exceptions: State and local governments and their instrumentalities and small businesses who take small business loans. You can't claim this credit if you got a loan under the Payroll Protection Program.



Qualifying employers must fall into one of two categories:

1. The employer's business is fully or partially suspended by government order due to COVID-19 during the calendar quarter.
2. The employer's gross receipts are below 50% of the comparable quarter in 2019. Once the employer's gross receipts go above 80% of a comparable quarter in 2019, they no longer qualify after the end of that quarter. See [FS-2020-05](#)

Paid Sick Leave Credit and Family Leave Credit. The paid sick leave credit is designed to allow business to get a credit for an employee who is unable to work (including telework) because of Coronavirus quarantine or self-quarantine or has Coronavirus symptoms and is seeking a medical diagnosis. Those employees are entitled to paid sick leave for up to 10 days (up to 80 hours) at the employee's regular rate of pay up to \$511 per day and \$5,110 in total. The employer can also receive the credit for employees who are

unable to work due to caring for someone with Coronavirus or caring for a child because the child's school or place of care is closed, or the paid childcare provider is unavailable due to the Coronavirus. Those employees are entitled to paid sick leave for up to two weeks (up to 80 hours) at 2/3 the employee's regular rate of pay or, up to \$200 per day and \$2,000 in total.

Employees are also entitled to paid family and medical leave equal to 2/3 of the employee's regular pay, up to \$200 per day and \$10,000 in total. Up to 10 weeks of qualifying leave can be counted towards the family leave credit.

Employers can be immediately reimbursed for the credit by reducing their required deposits of payroll taxes that have been withheld from employees' wages by the amount of the credit. Eligible employers are entitled to immediately receive a credit in the full amount of the required sick leave and family leave, plus related health plan expenses and the employer's share of Medicare tax on the leave, for the period of April 1, 2020, through Dec. 31, 2020. The refundable credit is applied against certain employment taxes on wages paid to all employees.

How will employers receive the credit? Employers can be immediately reimbursed for the credit by reducing their required deposits of payroll taxes that have been withheld from employees' wages by the amount of the credit. Eligible employers will report their total qualified wages and the related health insurance costs for each quarter on their quarterly employment tax returns or Form 941 beginning with the second quarter. If the employer's employment tax deposits are not sufficient to cover the credit, the employer may receive an advance payment from the IRS by submitting [Form 7200](#), Advance Payment of Employer Credits Due to COVID-19. Eligible employers can also request an advance of the Employee Retention Credit by submitting [Form 7200](#).

The IRS has also posted [Employee Retention Credit FAQs](#) and [Paid Family Leave and Sick Leave FAQs](#) that will help answer questions. Updates on the

implementation of the [Employee Retention Credit](#) and other information can be found on the [Coronavirus](#) page of IRS.gov.

Check out my [website](#).