



Payroll Tax Credit from the CARES Act

Employee Retention Credit for Employers Subject to Closure Due to COVID-19. Under the CARES Act, eligible employers may take a refundable credit of up to 50% of qualified wages (up to \$10,000) against applicable employment taxes for each calendar quarter, subject to certain limitations. An “eligible employer” is an employer:

- Who was partially or fully suspended during the calendar quarter due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings due to COVID-19; or
- Whose gross receipts were less than 50% of those for the same calendar quarter in 2019, subject to certain limitations.
 - Note that organizations exempt from tax under section 501(c) of the Internal Revenue Code need only demonstrate that their operations were partially or fully suspended due to governmental orders related to COVID-19; the gross receipts provisions do not apply.

For employers with more than 100 full-time employees, wages paid by an eligible employer will be “qualified wages” only to the extent an employee is being paid but not providing services. Qualified wages cannot exceed any amount an employee would have been paid for working an equivalent duration during the 30 days prior to this period. Qualified wages also include an employer’s qualified health plan expenses, as defined in the Internal Revenue Code, subject to certain limitations.

This credit will only apply to wages paid after March 12, 2020 and before January 1, 2021, and all persons treated as a single employer under the Internal Revenue Code will be treated as a single employer for the purposes of this credit. This credit does not apply to federal or state governmental entities. An otherwise eligible employer may be ineligible to take this credit if such employer receives an SBA small business interruption loan.

Payroll Tax Credits from the Family First Coronavirus Response Act

Tax Credits under the Emergency Family and Medical Leave Expansion Act

An employer may receive a credit for each calendar quarter in an amount equal to 100% of the qualified family leave wages paid. Qualified family leave wages mean wages and compensation paid by an employer which are required to be paid by reason of the Emergency Family and Medical Leave Expansion Act.

Limitations

Amount of qualified family leave wages paid are capped at \$200 per day for each individual up to \$10,000 per calendar quarter. Credit is limited to the Social Security taxes on the wages paid with respect to the employment of all employees of the employer.

Refundable Tax Credit

If the amount of the credit exceeds the employer's portion of Social Security taxes for wages paid with respect to the employment of all employees of the employer, the excess is treated as an overpayment and is refundable.

Tax Credits under the Emergency Paid Sick Leave Act

An employer may receive a credit for each calendar quarter in an amount equal to 100% of the qualified sick leave wages paid. Qualified sick leave wages mean wages and compensation paid by an employer which are required to be paid by reason of the Emergency Paid Sick Leave Act.

Limitations

Amount of qualified sick leave wages paid under the Emergency Paid Sick Leave Act are capped at \$511 per day, or \$200 per day if the leave is for caring for a child or family member, for up to 10 days per employee each calendar quarter. Credit is limited to the Social Security taxes on the wages paid with respect to the employment of all employees of the employer.

Refundable Tax Credit

If the amount of the credit exceeds the employer's portion of Social Security taxes for wages paid with respect to the employment of all employees of the employer, the excess is treated as an overpayment and is refundable.

Effective Dates

Tax credits for qualified sick leave wages and qualified family leave wages will apply to wages paid for the period beginning April 1, 2020, and ending December 31, 2020. In addition, days occurring during the period beginning on April 1, 2020, and ending on December 31, 2020, will be taken into account for credits for qualified sick leave equivalent amounts and qualified family leave equivalent amounts for certain self-employed individuals.