



# TaxNewsFlash

United States



No. 2020-324  
May 18, 2020

## IRS fact sheet, tax credits for COVID-19-related paid leave

The IRS issued a “fact sheet” with information about tax credits available to employers for funding paid leave in response to the coronavirus (COVID-19) pandemic.

The IRS fact sheet ([FS-2020-06](#), May 2020) explains that the “The Families First Coronavirus Response Act” provides tax credits to reimburse employers for the costs of providing paid sick leave and paid family and medical leave to employees unable to work because of COVID-19.

As the IRS fact sheet further explains:

- These credits are refundable, so that if the amount of the credit exceeds the amount of tax owed, the remainder is refunded to the business or organization.
- The law is intended to allow employers to keep employees on their payrolls, while at the same time making sure employees are not forced to choose between their paychecks and public health measures needed to combat COVID-19.
- These credits are available to eligible employers beginning April 1, 2020, for qualifying leave they provide between April 1, 2020, and December 31, 2020.
- Eligible employers are businesses and tax-exempt organizations with fewer than 500 full-time and part-time employees within the United States or any U.S. territory or possession and that have to meet certain employer paid-leave requirements
- Employees of eligible employers who are unable to work or telework because they are or have been quarantined or experiencing COVID-19 symptoms and are seeking a medical diagnosis can receive up to 80 hours of paid sick leave. This pay is at their regular rate of pay or, if higher, the applicable minimum wage, up to \$511 per day and \$5,110 in total.
- Employees can receive up to 80 hours of paid sick leave at two-thirds of their regular pay or, if higher, the applicable minimum wage, up to \$200 per day and \$2,000 in total. Employees can receive this benefit if they need to care for: (1) an individual subject to quarantine; (2) a child whose school or place of care is closed; or (3) a child whose child-care provider is unavailable, due to COVID-19 or because that provider has been experiencing similar conditions (as specified by the U.S. Department of Health and Human Services).
- An employee is eligible for paid sick leave, regardless of length of employment.

- The eligible employer is entitled to a fully refundable tax credit equal to the required paid sick leave wages.
- Eligible employers can also get an additional credit for the employer's share of Medicare tax imposed on the qualified sick leave wages and the cost of maintaining health insurance coverage for the employee during the sick leave period.
- The employer is not subject to the employer portion of Social Security tax on the paid sick leave wages.
- In addition to the paid sick leave credit, an employee who is unable to work or telework because of a need to care for a child whose school or place of care is closed or whose child-care provider is unavailable due to COVID-19, is 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 toward the paid family leave credit.
- An employee qualifies for paid family and medical leave if the employee has been on an employer's payroll for 30 calendar days or more.

An eligible employer is entitled to a fully refundable tax credit equal to the required paid family leave wages. Eligible employers can also get an additional credit for the employer's share of Medicare tax imposed on those wages and its cost of maintaining health insurance coverage for the employee during the family leave period. The eligible employer is not subject to the employer portion of Social Security tax on those wages.

The IRS fact sheet includes examples illustrating application of this relief.

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