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Tax Impact of the Coronavirus Bill H.R. 6201 – Families First Coronavirus Response Act

CORONAVIRUS, TAX

BY KIRK MITCHELL

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Last night, President Trump signed H.R. 6210, The Families First Coronavirus Response Act (the Act) into law. The Act has gone through a few iterations since the original version of the bill was passed by the House last week. The bill contains numerous provisions that begin to address the U.S. economic implications caused by the coronavirus outbreak. This article will provide an executive summary on the tax portions of the bill (with more details to follow as implications of the Act's language are further digested). Businesses are advised to discuss with their employment law advisors on the employee related mandates included in the Act

In general, though, part of the Act mandates the payment of paid family leave and sick pay by certain employers not previously required to pay for these items. The mandates do not apply to all employers or employees. In general, the Act appears to require:

- Paid family leave required for by employers with fewer than 500 employees (with possible exceptions for employers with less than 50 employees – but prior approval appears to be required). The employee limit appears to cover both full and part-time employees.
- Paid sick leave for by employers employing less than 500 employees.

Further, provisions within the Act provide for payroll tax credits, which can be refundable, designed to assist employers, and the self-employed, with absorbing the cost of the mandated paid sick time and paid family and medical leave. The Act provides tax credits that would only apply to wages paid with respect to a period beginning on a date, selected by the Secretary of the Treasury, within the first 15 days of the enactment. As with any tax act, there are details and exceptions that need to be considered in planning and the Act only provides credits to employers affected by the requirements of the Act.

In general, the Act provides the following credits for eligible employers:

- Sick Leave
 - Allowed a credit against certain payroll taxes imposed on the employer for each calendar quarter in an amount equal to 100 percent of the qualified sick leave wages paid by the employer with respect to that calendar quarter. This credit is not available for all compensation paid but only eligible compensation paid for under the Act.
 - The credit may not exceed \$511 for wages paid to certain employees and \$200 for wages paid to other certain employees dependent upon the level the individual is affected by the coronavirus as enumerated in the Act.
 - Credit applicable only to sick pay wages paid from enactment or other date selected by the Secretary of the Treasury, through December 31, 2020
- Family and Medical Leave
 - Allowed a credit against certain payroll in an amount equal to 100% of the qualified family leave wages paid by the employer during the quarter.
 - The maximum amount of qualified family leave wages eligible for the credit is \$200 for any day (or portion thereof) for which the employee is paid qualified family leave wages, and in the aggregate with respect to all calendar quarters, \$10,000.
 - The credit is not allowed in respect of unpaid leave.
 - Credit is only applicable to wages paid from the date of enactment or other date selected by the Secretary of the Treasury, through December 31, 2020.

It is important to note that the definition of eligible employers for purposes of the tax credits is defined as employers with fewer than 500 employees.

The Act does not provide for a payroll tax holiday for employees.

At this time, there are still many unknowns and the details need to be worked through based upon your specific facts and circumstances. These are challenging times. Plan on proceeding carefully and thoughtfully.

Schneider Downs remains at the ready to help address all your needs and concerns during these challenging times. We'll continue to analyze the new law and will provide additional updates as information becomes available.

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