



## Employer Tax Credits for Paid Leave and Health Plan Expenses Under FFCRA

To assist employers subject to the paid sick leave and expanded paid FMLA provisions under the FFCRA, the law permits employers to claim immediate tax credits. Any payments made to employees pursuant to the leave provisions of the FFCRA are available as full tax credits to employers. In addition to actual wages paid to employees on leave, employers may also claim tax credit for 'qualified health plan expenses' paid on behalf of employees taking leave under FFCRA. 'Qualified health plan expenses' seem to include any payments made by an employer to maintain a group health plan, and that are not taxable income to an employee. This would include the employers' share of group plan premiums, and any related payments to accounts such as an HRA.

Employers will report the total amount of qualified sick leave wages they paid and claim related tax credits on the Quarterly Federal Tax Return, Form 941. Employers may reduce the amount of taxes they would otherwise own in advance of filing Form 941 ([linked here](#)), by deducting qualified sick leave wages from their quarterly deposit.

If an employer's payments to employees on FFCRA paid leave plus employer share of health plan premiums exceeds the tax liability the employer would owe to the IRS, the employer may file form 7200 ([linked here](#)) to request an advance IRS payment of these 'credits'.

Employers should consult their accountants and tax advisors before they take action under the permissible tax credit claim methods under the applicable laws.

### **Employer Action:**

Employers with fewer than 500 employees at the time a request for leave is made should ensure they keep proper documentation of all wages paid to employees taking paid sick leave or paid expanded FMLA to claim tax credit for wages paid, and employer share of tax-free premiums paid for these employees' group health plan premiums.

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# HR ALERT

## 2020

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