



TAX CREDITS FOR FAMILIES FIRST CORONAVIRUS RESPONSE ACT (FFCRA)

Employers who are subject to the Families First Coronavirus Response Act (FFCRA) will receive some financial relief in the form of tax breaks. Employers who comply with the new law will qualify for a dollar-for-dollar reimbursement on all qualifying wages paid out under FFCRA via a payroll tax credit against the employer's payroll tax liability.

QUALIFYING WAGES

Qualifying wages are defined as the benefits paid out to an employee who takes paid sick leave, or paid family leave under the FFCRA. For example, if an employee qualifies for the maximum payout amount of \$15,110, meaning they took sick leave and family leave, the employer would be entitled to a credit for an equal amount. Additionally, further credits are available to employers should they continue to maintain health insurance coverage for their employees who are out on FFCRA sick or family leave. The amount that the employer pays toward the cost of that employee's healthcare while they are out on FFCRA leave can apply toward the credit. These credits are only available for applicable benefits paid between April 1, 2020, to December 31, 2020.

For information regarding the benefits mandated in the Families First Coronavirus Response Act, [please visit our FAQ](#).

Please note that the credit is not available to employers who are already receiving the existing credit for paid family and medical leave under [IRS Code Section 45S](#).

INCREASED BENEFIT FLEXIBILITY

To provide employers with the financial flexibility required to offer these new benefits, the IRS has said that businesses can retain and access funds that they would, under normal circumstances, pay to the IRS in payroll tax. Before this guidance, the process required employers to deposit federal taxes along with the employer's portion of Social Security and Medicare taxes with the IRS, and then file a quarterly payroll tax return. However, the new guidance provides significant leeway for employers and allows them to retain the amount of payroll taxes equal to the amount of qualifying FFCRA wages paid.

EXAMPLE: If an employer pays out \$10,000 in qualified FFCRA benefits and has payroll tax liability of \$12,000 that they would typically be required to deposit with the IRS, employers could use that \$10,000 to make qualified FFCRA leave payments. The remaining \$2,000 in payroll tax would be deposited to the IRS as it usually would.

Additionally, flexibility is provided in the form of refunds should an employer pay out more in FFCRA benefits than they owe in payroll tax. If you have credits that exceed your payroll tax liability, the government is committing to expedited refunds of the surplus amount upon employer requests. While employers are anxious to receive additional guidance from the DOL and IRS about how these requests will be processed, and when refunds will be paid out, the government has promised "fast funds."

EXAMPLE: If an employer pays out \$30,000 in FFCRA mandated benefits, plus \$4,000 in healthcare premium contributions for employees while they were out on FFCRA mandated leave, and has a payroll tax liability of \$12,000, the employer will receive a \$22,000 refund.

30-DAY NON-ENFORCEMENT WINDOW

The DOL is providing a 30-day non-enforcement window in which it will not bring an enforcement action against any employer for violations of the Act so long as employers have acted "reasonably and in good faith" to comply. The window provides employers a buffer of time during which they can make the proper adjustments to become compliant with the new law. However, the DOL has made clear that it will vigorously enforce the law once the 30-day period has come to an end.

ALDRICH IS HERE TO SUPPORT YOU

As always, your Aldrich Benefits team is here to provide support for you however we can during these rapidly changing times. Our team is closely monitoring the changing landscape of the COVID-19 pandemic and is here to answer your questions. For further information, please [contact your advisor](#). For more employer resources to help you navigate the developing impact of coronavirus on your business, visit our [COVID-19 Resource Center](#).

About Aldrich Benefits LP

We assist employers with employee benefit consulting including medical, dental, group life, and disability insurance for their employees and executive benefits for high level and key employees. Our services include plan design, implementation, and annual review of benefits. Aldrich Benefits LP is known as Aldrich Insurance Solutions LP in California.

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