

# EMPLOYEE RETENTION CREDITS AND PAID LEAVE TAX CREDITS FOR COVID-19 RESPONSE

Last updated 05/13/2020

## Employee Retention Credit

### What is it?

A refundable payroll tax credit employers can claim on their federal employment tax return to cover employee wages and qualified health plan expenses associated with those wages.

### Eligibility

- Employers of any size are eligible – including those without tax liability - if they meet the qualifications.
- Self-employed individuals cannot claim the credit for their self-employment services or earnings.
- Governmental employers are not eligible.

### Qualifying

To qualify, you must have experienced in any calendar quarter in 2020:

- Fully or partially suspended operations due to COVID-19-related government orders; OR
- A drop in gross receipts below 50% of the comparable quarter amount in 2019

### Timeframe

Employers can claim this payroll tax credit on qualifying wages paid between March 13, 2020 – December 31, 2020.

### Amount of Benefit

Employers can receive a maximum credit of \$5,000 per employee. Credits are worth 50% of qualifying wages and associated qualified health plan expenses paid to employees (up to \$10,000 in wages per employee).

If an employer averaged fewer than 100 full-time employees, the tax credit is based on wages paid to all employees during the period of suspended operations or gross receipts decline.

You cannot take these credits and have a PPP loan.

## Applying for Employee Retention Credits

### How to Apply

Eligible employers report their total qualified wages and related credits for each calendar quarter on their federal employment returns (usually IRS Form 941, "Employer's Quarterly Federal Tax Return"). Form 941 is used to report income and Social Security and Medicare taxes withheld by the employer from employee wages, as well as the employer's portion of Social Security and Medicare taxes.

IRS Resource: <https://www.irs.gov/newsroom/irs-employee-retention-credit-available-for-many-businesses-financially-impacted-by-covid-19>

U.S. Treasury Resource: <https://home.treasury.gov/system/files/136/Employee-Retention-Tax-Credit.pdf>

U.S. Chamber of Commerce: <https://www.uschamber.com/report/guide-the-employee-retention-tax-credit>

## COVID-19 Tax Credits for Sick and Family Leave

The Families First Coronavirus Response Act (FFCRA) required employers to provide paid leave through two programs:

- Emergency Paid Sick Leave Act (EPSLA) - entitles workers to up to 80 hours of paid sick time when they are unable to work for certain reasons related to COVID-19.
- Emergency Family and Medical Leave Expansion Act (Expanded FMLA) - entitles workers to certain paid family and medical leave.

Small businesses with under 50 workers are excepted.

FFCRA also provides small and midsize employers refundable tax credits that reimburse them, dollar-for-dollar, for the cost of providing paid sick and family leave wages to their employees for leave related to COVID-19. Some self-employed individuals in similar circumstances are entitled to similar credits.

Eligible employers that are entitled to claim the refundable tax credits are businesses and tax-exempt organizations that:

- Have fewer than 500 employees.
- Are required under the FFCRA to pay “qualified sick leave wages” and/or “qualified family leave wages.”

These programs apply to leave taken between April 1, 2020 and December 31, 2020.

More information on these temporary paid leave programs can be found with the [Department of Labor](#).

Check with the [IRS for how to claim refundable tax credits for emergency paid leave](#).