



## **How do these tax provisions impact me?**

With both the FFCRA and CARES Act officially signed into law, our government and regulatory bodies have begun to issue further guidance to let companies such as My HR Professionals know how to interpret nuances of the law. While there are many questions still unanswered, we want to share some information that is known at this time.

### **Payroll Tax Credit for Paid Sick Leave**

The FFCRA allows an employer to claim a refundable tax credit for paid leave granted under the expanded FMLA requirement, effective April 1, 2020. This credit is funded by the employer share of the Social Security tax (6.2%), employers would still be responsible for FICA tax on employee wages. Currently we're working with our payroll software developers to allow for accrued 2<sup>nd</sup> quarter taxes to be credited back as required to offset paid sick leave. If an employer has paid in less than the portion being paid out to an employee, then the amount paid out will still be invoiced but the balance will carry over into future payrolls until the applicable tax credit amount is recouped in full.

The CARES Act expands these provisions by providing for an advance of the payroll tax credit. The Secretary of the Treasury is to prescribe regulations necessary to permit the advancement of this credit, that information has yet to be released at this time.

### **Employee Retention Credit for Employers Subject to Closure Due to COVID-19**

Private-sector employers are allowed a refundable tax credit against employer Social Security tax equal to 50 percent of wages paid by employers to employees during the COVID-19 crisis, up to \$10,000 per employee. The credit is available to employers whose operation is fully or partially suspended due to orders from a governmental authority limiting commerce, travel, or meetings due to COVID-19, or who experienced a 50 percent decline in gross receipts when compared to the same quarter of the prior year. The credit may be increased by the proportionate share of the employer's health costs related to such wages.

- For employers with more than 100 full-time equivalent employees, this credit is available for wages paid to employees that provided no services during the shutdown.
- For employers with fewer than 100 full-time equivalent employees, all wages qualify for the credit, without regard to whether the employer was in operation.

Aggregation rules will apply in determining the number of employees of the employer. Wages paid may not exceed the amount such employee would have been paid for working an equivalent duration during the 30 days immediately preceding such period. Wages also do not include paid family and/or sick leave under the Families First Coronavirus Response Act for which a credit is taken. This section applies to wages paid after March 12, 2020, and before January 1, 2021.

## **Deferral of Employer Social Security Taxes**

Employers may defer payment of the employer share of the Social Security tax, beginning after the effective date of the CARES Act through December 31, 2020. Deferred tax amounts would be paid over two years, in equal amounts due on December 31, 2021 and December 31, 2022. There are limitations to this option if you are a PEO client, this is due to the PEO model of reporting all clients under one tax ID.

## **Retirement Provisions**

Retirement Plan participants impacted by COVID-19:

- Enhanced loan availability and relief for outstanding loan repayments
- Allows COVID-related distributions and waived early withdrawal penalty
- Waived Required Minimum Distribution (RMD) for 2020 calendar year

## **Next for the CARES Act**

The logistics and details associated with getting access to the funds associated with the CARES Act has created many unanswered questions that require further communication with contacts at the IRS and other agencies. We're actively working our contacts at these agencies and will update you as soon as instructions are available.

Please be patient as it is expected to be a chaotic couple weeks before processes are established and implemented in fullness by the corresponding government agencies.