
FAMILIES FIRST CORONAVIRUS RESPONSE ACT

On March 18, 2020, President Trump signed into law H.R. 6201 – Families First Coronavirus Response Act. This is the second of possibly many new laws to combat the Covid-19 outbreak. At an estimated cost to the U.S. Treasury of \$105 billion, this 40+ page bill is primarily concerned with mandating emergency employer-paid sick leave (employers with less than 500 employees), and providing a payroll tax credit to fund the sick leave payments.

Among the provisions of the new law are:

- Provides emergency food to food banks, low-income seniors, low-income pregnant women, and young children.
- Provides for the payment of Covid-19 testing services.
- Provides waivers of certain school lunch rules.
- Expands emergency family and medical leave. Two weeks of paid sick leave at full pay to quarantine or seek a diagnosis, or paid at two-thirds pay to care for a quarantined family member or to care for a child whose school has closed or child care provider is unavailable due to the coronavirus. An additional 10 weeks at no less than two-thirds pay is available to employees covered by the above circumstances as a result of the coronavirus.
- Tax credits for paid sick and family and medical leave. Provides a refundable tax credit equal to 100 percent of qualified sick leave wages paid by an employer. The credit is a payroll tax credit applied against the employer portion of social security taxes. Qualified wages are capped at \$511/day for employees self-isolating and \$200/day for those caring for a family member or child.
- Tax credit for sick leave for certain self-employed individuals with the same limits as above.
- Tax credit for required paid family leave. 100 percent of qualified wages. Limited to \$200/day per employee and a \$10,000 overall maximum per employee. A similar credit is available for the self employed.
- The tax credits are only available for the period beginning within 15 days from the date of enactment (as determined by the IRS) and ending on December 31, 2020. The IRS is granted broad authority to issue regulations and guidance.

Observation



For CPAs, the most important part of this bill relates to the tax credits estimated to be over \$100 billion. It is important to notify clients to detail and document the amount of paid sick and family leave provided to employees. Since the credit is a payroll tax credit instead of an income tax credit, the credit may be available as soon as the next payroll tax reporting period ends.