

An Update on COVID Tax Credits

IRS issues guidelines for COVID-19 tax credits for employers

The IRS has issued guidance on the two new COVID-19 related tax credits for employers. One is called Employee Retention Credit. The other tax credit is related to temporary paid sick leave and the expanded family and medical leave under the Families First Coronavirus Relief Act (FFCRA).

Employee Retention Credit

This credit is available to employers of any size, including tax exempt organizations, if they are fully or partially suspended by government order or if their gross receipts are below 50% of the comparable quarter in 2019. Credit is 50% of wages paid up to \$10,000 in total between March 12 to December 31 of 2020.

Employers with less than 100 employees on average in 2019 are eligible regardless of whether their employees worked or not. For employers with 100 employees or more, the credit is available only for wages paid to employees who did not work during the calendar quarter. Frequently Asked Questions on this credit are available [HERE](#). This credit could be reimbursed immediately by reducing the required payroll taxes and report/claim them using Form 7022, Advance Payment of Employer Credits Due to COVID-19.

Credit for COVID-19 Required Paid Leave

Paid sick leave and expanded paid family medical leave (FMLA) are now available to employees effective April 1, 2020 to December 31, 2020. Paid sick leave entitles workers up to 80 hours of paid leave when they are unable to work for certain reasons related to COVID-19. The expanded FMLA entitles workers up to 12 weeks of COVID-19 related leave. This credit part of Families First Coronavirus Relief Act Congress passed on March 18. Last week, the U.S. Department of Labor issued Questions and Answers, Fact Sheet for Employers and a Fact Sheet for Employees. Employers are entitled to fully refundable tax credits to cover the cost of these leaves. IRS guidance and FAQs on claiming this tax credit were released March 31.

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