

HENDERSON BROTHERS UPDATE

IRS Releases New FAQs - Steps for Claiming COVID-19-Related Tax Credits for Paid Leave

Date: April 1, 2020

Eligible Employers may claim tax credits for qualified leave wages paid to employees on leave due to paid sick leave or expanded family and medical leave for reasons related to COVID-19 for leave taken beginning on April 1, 2020, and ending on December 31, 2020. The credits cover 100 percent of up to ten days of the qualified sick leave wages and up to ten weeks of the qualified family leave wages (and any qualified health plan expenses allocable to those wages) that an Eligible Employer paid during a calendar quarter, plus the amount of the Eligible Employer's share of Medicare taxes imposed on those wages. Qualified sick leave and qualified family leave under the Families First Coronavirus Response Act (FFCRA) are in addition to employees' preexisting leave entitlements.

As communicated in new [IRS FAQs](#):

Employees are to provide a written request for leave that contains the following:

1. The employee's name;
2. The date or dates for which leave is requested;
3. A statement of the COVID-19 related reason the employee is requesting leave and written support for such reason; and
4. A statement that the employee is unable to work, including by means of telework, for such reason.

An Eligible Employer will need to maintain record of the employee's request along with the following if it intends to take advantage of the tax credits:

Documentation to show how the employer determined the amount of qualified sick and family leave wages paid to employees that are eligible for the credit, including records of work, telework and qualified sick leave and qualified family leave:

- Documentation to show how the employer determined the amount of qualified health plan expenses that the employer allocated to wages. See FAQ #31 for methods to compute this allocation.
- Copies of any completed Forms 7200, Advance of Employer Credits Due To COVID-19, that the employer submitted to the IRS.
- Copies of the completed Forms 941, Employer's Quarterly Federal Tax Return, that the employer submitted to the IRS (or, for employers that use third party payers to meet their employment tax obligations, records of information provided to the third party payer regarding the employer's entitlement to the credit claimed on Form 941).

Tax credits can be taken for an employer's qualified health plan expenses for employees on paid sick or paid family leave. IRS FAQs 31-36 address the specifics on how to determine each employee's pro-rated share relative to the time the employee is taking paid leave.

