

Employer Payroll Credits Due to COVID-19

Eligible Employers (Businesses and Nonprofits with fewer than 500 employees.)

This is a payroll tax credit designed to provide support for businesses paying sick leave to employees who are unable to work due to corona virus. Leave taken between 4/1/20 & 12/31/20 is eligible.

For an employee who is unable to work because of Coronavirus quarantine or self-quarantine or has Coronavirus symptoms and is seeking a medical diagnosis, eligible employers may receive a refundable sick leave credit for sick leave at the employee's regular rate of pay, up to \$511 per day and \$5,110 in the aggregate, for a total of 10 days.

For an employee who is caring for someone with Coronavirus, or is caring for a child because the child's school or child care facility is closed, or the child care provider is unavailable due to the Coronavirus, eligible employers may claim a credit for two-thirds of the employee's regular rate of pay, up to \$200 per day and \$2,000 in the aggregate, for up to 10 days.

The credit is claimed on form 941 and can be used immediately by reducing the normal 941 deposit (all federal withholdings, Social Security & Medicare) by the amount of the credit. If the credit exceeds the 941 deposits for the quarter, form 7200 can be filed to request the excess be refunded to the employer from previous deposits.

Self-Employed Individuals.

The credit is also available to Self- employed individuals who are either sick with Corona virus, caring for a sick family member, or caring for a child whose normal care is unavailable due to corona virus shutdowns.

The credit is calculated on days unable to work (up to 50) times the lessor of (1) \$200, or (2) 67 percent of the average daily self-employment income of the individual for the taxable year. Average daily self-employment income is an amount equal to the net earnings from self-employment for the taxable year divided by 260.

The self-employed credit will be claimed on the individual's form 1040 for 2020 after the end of the year.

Rachel Griscom, CPA