

LEGAL UPDATE

IRS Adds, Updates FAQs on FFCRA Tax Credits

The IRS has added or updated more than 80 answers to questions in its series of [FAQs](#) on “COVID-19-Related Tax Credits for Required Paid Leave Provided by Small and Midsize Businesses.” The changes affect questions in all 13 of the subtopics covered by the FAQs.

Refundable tax credits are available to businesses for employee paid leave taken under the federal Families First Coronavirus Response Act (FFCRA), enacted in March 2020 and effective through Dec. 31, 2020.

FFCRA Paid Leave

Under the FFCRA, employees of businesses with fewer than 500 employees may receive up to 80 hours of paid sick leave for their own health needs or to care for others. These employees are also eligible for up to an additional 10 weeks of paid family leave to care for a child whose school or place of care is closed, or child care provider is closed or unavailable due to COVID-19 precautions.

FFCRA Tax Credits for Paid Leave

The FFCRA tax credits provide employers with funds to cover certain costs of the employee leave required by the law. Specifically, the tax credits are available for:

- Qualified sick leave wages;
- Qualified family leave wages;
- Qualified health plan expenses allocable to employee leave wages; and
- The employer’s portion of Medicare tax related to the qualified wages.

The FAQs

The IRS FAQs on the FFCRA tax credits cover the following main issues:

- Eligible employers
- Qualified sick leave wages
- Qualified family leave wages
- Qualified health plan expenses
- How to claim the credits
- Substantiating eligibility
- Deductibility of tax credits
- Interaction of tax credits
- Third-party payers
- Self-employed individuals

Employers may take advantage of FFCRA tax credits to cover costs related to the law’s required employee leave.

Provided to you by **Hausmann-Johnson Ins & The Benefit Services Group, Inc**

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