



PAYROLL

Employers - Prepare to Comply with Year End Reporting of Qualified Sick and Family Leave Wages Paid Under The FFCRA

July 2020

IRS recently issued Notice 2020-54 regarding employers' requirement to report the amount of qualified sick leave wages and qualified family leave wages paid to employees under the Families First Coronavirus Response Act (FFCRA), (P. L. No. 116-127). The reporting requirement applies notwithstanding the fact that the employer's out-of-pocket cost is zero after the federal reimbursement via payroll tax credits. The reporting requirement can be satisfied via Form W-2, box 14 or a separate statement.

Insights:

Employers should work with the IT department and/or payroll service provider as soon as possible to review the payroll system, earnings code configuration and W-2 mapping to ensure that these paid leave wages are captured timely and accurately for year-end W-2 reporting. Special care should be taken to capture accurate data retroactively from March that might have been offset by the allowable payroll tax credits.



Background

Pursuant to the FFCRA, employers with fewer than 500 employees are required to provide paid leave due to certain circumstances related to COVID-19. The act requires certain employers to provide employees with up to 80 hours of paid sick leave if the employee is unable to work or telework due to certain reasons related to COVID-19. Through a separate provision, the FFCRA also amends the Family and Medical Leave Act of 1993 to require employers to provide expanded paid family and medical leave to employees who are unable to work or telework for reasons related to COVID-19.

Under the FFCRA, employers that are subject to the paid leave requirements are entitled to receive a refundable credit equal to the amount of the qualified sick leave wages and qualified family leave wages, plus allocable qualified health care expenses and the employers share of Medicare tax imposed on the leave wages, that are required to be paid for those periods of time during which employees are unable to work or telework for reasons related to COVID-19.

Self-employed individuals are also entitled to a refundable credit against income tax imposed on self-employment income for qualified sick leave equivalent amounts and qualified family leave equivalent amounts. However, if a self-employed individual is entitled to a refundable credit for a qualified sick leave equivalent amount or for a qualified family leave equivalent amount and also receives the benefits as an employee, the equivalent amount for which the self-employed individual may claim a tax credit may be reduced.

Reporting Requirements

Employers must separately report each of the following types and amount of wages either on Form W-2, Box 14 or on a separate statement:

1. The total amount of qualified sick leave wages paid to an employee who:
 - Was subject to a federal, state or local quarantine or isolation order related to COVID-19;
 - Had been advised by a health care provider to self-quarantine due to concerns related to COVID-19; or Was experiencing symptoms of COVID-19 and seeking a medical diagnosis.
 - Employers must label this amount using the following, or similar, language: "Sick leave wages subject to the \$511 per day limit."
2. The total amount of qualified sick leave wages paid to an employee who:
 - Was caring for an individual who was subject to a federal, state, or local quarantine or isolation order related to COVID-19, or had been advised by a health care provider to self-quarantine due to concerns related to COVID-19;

- Was caring for a son or daughter of such employee if the school or place of care of the son or daughter had been closed, or the child care provider of such son or daughter was unavailable, due to COVID-19 precautions; or
- Was experiencing any other substantially similar condition specified by the Secretary of Health and Human Services in consultation with the Secretaries of the Treasury and Labor.

Employers must label this amount using the following, or similar, language: "Sick leave wages subject to the \$200 per day limit."

3. The total amount of qualified family leave wages paid to an employee. Employers must label this amount using the following, or similar, language: "Emergency family leave wages."

If the employer chooses to report these amounts on a separate statement instead of Form W-2, the statement must be included with the Form W-2. If the employee receives an electronic Form W-2, the statement must be provided in the same manner and at the same time as the electronic Form W-2. It appears there is no process to file the information provided on separate statements with the IRS.

For most employees the disclosure of the FFCRA benefit amounts will be only informational. However, if an employee has additional income from self-employment, these amounts of FFCRA benefits from employers will be needed to properly compute any qualified sick leave equivalent or qualified family leave equivalent credits on account of interruptions to their self-employed business.

In addition to the required payment information, the notice also suggests that employers provide additional information about qualified sick leave wages and qualified family leave wages that explains that these wages may limit the amount of the qualified sick leave equivalent or qualified family leave equivalent credits to which the employee may be entitled with respect to any self-employment income.



**For questions or assistance,
please contact one of our
professionals at 717-569-2900.**

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