

ON MARCH 20, 2020, TREASURY, IRS AND LABOR DEPARTMENT ANNOUNCED PLAN TO IMPLEMENT CORONAVIRUS-RELATED PAID LEAVE FOR WORKERS AND TAX CREDITS FOR SMALL AND MIDSIZED BUSINESSES

On Friday March 20, 2020, The United States Departments of Treasury, Internal Revenue Service, and the U. S. Department of Labor took action to implement complete federal coverage for small and midsize employers for payments they make to their employees as required by the Paid Sick Leave and expanded paid child care leave under the federal Family Medical Leave Act. Under the Families First Coronavirus Response Act, signed by President Trump on March 18, 2020 ([https://www.congress.gov/bill/116th-congress/house-bill/6201](https://www.congress.gov/bills/116/congress-house-bill/6201)), employers can begin taking advantage of dollar for dollar reimbursement from the federal government for their payments for this new leave.

The way it works is that businesses can retain and access the funds that they would otherwise pay to the IRS in payroll taxes to pay for the cost of this new coronavirus related leave. If the payroll taxes are not enough to cover the cost of this new paid leave, employers can seek an expedited advance from the IRS. Information regarding this process has not been published yet, but is promised during the week of March 23, 2020 (<https://www.irs.gov/newsroom/treasury-irs-and-labor-announce-plan-to-implement-coronavirus-related-paid-leave-for-workers-and-tax-credits-for-small-and-midsize-businesses-to-swiftly-recover-the-cost-of-providing-coronavirus>).

A basic summary of the leave covered is that it applies to employers of fewer than 500 employees; employees can receive up to 80 hours of paid sick leave for specific COVID-19 related purposes; and employees also receive expanded FMLA leave for up to 10 weeks at up to 2/3 of their regular rate when their children’s school or childcare provider is closed or unavailable because of COVID-19. Under the relevant laws, these payments to employees may be capped per day or in the aggregate, may be reduced to 2/3 depending on the reason for the paid leave, and there may be a waiting period. Employers making these payments are eligible for a tax credit equal to the amount of payment. The cost of maintaining health insurance coverage for the employee receiving payment during the leave period may be included in the tax credit. According to the IRS, payroll taxes available for retention include withheld federal income taxes, the employee’s share of Social Security and Medicare taxes and the employer’s share of Social Security and Medicare taxes.

We are also available for you should you have any questions or concerns related to the many issues which may arise. Please feel free to reach out to attorneys here at Williams Kastner should you need any legal guidance or assistance

Thank you for your continued trust in us.



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