

CLIENT ALERT

March 31, 2020

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IRS DESIGNATES APRIL 1, 2020 AS THE BEGINNING DATE FOR CREDITS FOR PAID SICK LEAVE AND PAID FAMILY LEAVE

by Julie E. Rhoades

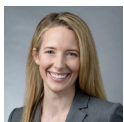
The Families First Coronavirus Response Act (the "Coronavirus Response Act"), P.L. 116-127, enacted on March 18, 2020, requires certain employers to provide expanded family and medical leave and paid sick leave to employees unable to work or telework due to certain circumstances related to COVID-19. To offset the economic costs of these requirements, the Coronavirus Response Act provides a subsidy to small employers (generally 500 or fewer employees) in the form of a tax credit for certain paid sick or family leave relating to the COVID-19 outbreak.

The tax credit is a credit against the 6.2% excise tax paid during each calendar quarter under Section 3111(a) or 3221(a) of the Internal Revenue Code of 1986, as amended (the "Code"). The Coronavirus Response Act provides a similar credit against the comparable tax paid for self-employed individuals under Section 1402 of the Code. The tax credit generally equals 100 percent of the "qualified sick leave wages" and "qualified family leave wages" required to be paid under the Coronavirus Response Act, subject to limitations. The tax credits are only available to wages paid with respect to a time period commencing on a date designated by the Secretary of the U.S. Department of the Treasury. The Secretary is required to designate the beginning date within 15-days of enactment of the Coronavirus Response Act.

On March 27, 2020, the IRS issued Notice 2020-21, 2020-16 IRB (March 27, 2020), designating the covered period as beginning on April 1, 2020. Thus, the tax credits will apply to wages paid for the period beginning on April 1, 2020, and ending on December 31, 2020.

The CARES Act provides for advance refunding of these credits that were established under the Coronavirus Response Act. The CARES Act further grants the IRS broad authority to issue regulations or other guidance permitting the advancement of the credits.

ABOUT THE AUTHOR



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