



## Emergency Paid Sick Leave & Extended Family Medical Leave Tax Credits

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The Coronavirus Aid, Relief and Economic Security (CARES) Act signed into law on March 27, 2020, and the Family First Coronavirus Response Act signed into law on March 18, 2020, included several significant initiatives and programs designed to provide employer and employee stability aimed at supporting the economy during the pandemic. The most significant of which was the Payroll Protection Program administered by the Small Business Administration and local banks. Almost all of our 175 parishes and schools participated in this program and have received substantial benefits as a result. Two other programs within the acts are also aimed at providing financial resources and therefore improving financial stability: grant funding to States and Tax Deferrals and Credits. Specifically described below are 5 tax related initiatives and whether or not they can be utilized by Archdiocese of Baltimore Parishes and Schools.

### **1. Federal Payroll Tax Deferral for the Employer's Portion of OASDI**

**No** Archdiocese of Baltimore Parish or School is permitted to participate in the Federal Payroll Tax Deferral Program for the Employer's portion of OASDI.

### **2. Federal Payroll Tax Deferral for Employee's Portion of OASDI**

**No** Archdiocese of Baltimore Parish or School is permitted to participate in the Federal Payroll Tax Deferral Program for Employee's portion of OASDI.

### **3. Employee Retention Tax Credits**

Employers who satisfy eligibility criteria can take a credit against payroll taxes for an amount equal to 50% of qualified wages paid from March 13 – December 31, 2020 for eligible employees.

- a. Employers using the SBA – PPP program are not eligible for the credits. However, when PPP funds run out, locations may be able to use these credits in the following quarter. Further clarification is needed on the use of this credit with the extension of the PPP covered period.
- b. Tax-exempt organizations that meet the eligibility criteria are considered qualified employers.
- c. Criteria for eligibility:

- i. The employer's operations must be fully or partially suspended during the calendar quarter as a result of orders from an appropriate government authority due to Covid-19; **or**
- ii. The employer's gross receipts (total operating income) for the quarter are 50% less than the gross receipts for the same quarter in the prior year. Employers will continue to qualify through December 31<sup>st</sup> until gross receipts for the previous quarter reach 80% of the same quarter the prior year.
- d. An eligible employee for employers with 100 or less full-time employees during 2019, is any employee paid wages during the applicable quarter.
- e. Qualified Wages include wages and employer health plan costs not to exceed \$10,000/per employee/per quarter. Wages are compared and limited to the wages of an equivalent period 30 days immediately preceding the current period.
- f. Wages are reduced by:
  - i. Wages for which tax credits for paid sick and family leave are available under the Families First Act.
  - ii. Wages under IRC 45S, for which credits are available for family and medical leave.
  - iii. Wages for an employee for whom the Work Opportunity tax credit is claimed
  - iv. Wages paid for related individuals under IRC 51(i)(1)
- g. For employers with more than 100 employees in 2019, the wages qualifying for the credit only include wages for employees not providing service because of COVID-19 closures or gross revenue reduction.
- h. The credit is taken against the employer's share of social security tax, but the excess is refundable under normal circumstances.
- i. Here is a link to the FAQs for the Employee Retention Tax Credit  
<https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>

#### **4. Emergency Paid Sick Leave Refundable Tax Credit**

The Emergency Paid Sick Leave Act requires eligible employers to provide employees with paid sick leave if the employee is unable to work, even telework, because of:

- a. Is subject to a Federal, State, or local quarantine or isolation order related to COVID-19;
- b. Has been advised by a health care provider to self-quarantine related to COVID-19;
- c. Is experiencing COVID-19 symptoms and is seeking a medical diagnosis;
- d. Is caring for an individual subject to an order described in 1) or self-quarantine as described in 2);
- e. Is caring for his or her child whose school or place of care is closed (or child-care provider is unavailable) due to COVID-19 reasons; or
- f. Is experiencing any other substantially similar condition specified by the U.S. Department of Health and Human Services.

Employees unable to work because of a. – c. above are entitled to paid sick leave for up to 80 hours at their regular rate of pay or federal/state minimum wage, whichever is higher, with a maximum of \$511 per day.

Employees unable to work because of d. – f. above are entitled to paid sick leave for up to 80 hours at 2/3 of their regular rate of pay or federal/state minimum wage, whichever is higher, with a maximum of \$200 per day.

1. Forms specific to EPSL, as well as instructions for Ultipro processing have been included with this package.
2. The Eligible Employer is entitled to a fully refundable tax credit equal to the required paid sick leave.
3. This tax credit also includes the Eligible Employer's share of Medicare tax imposed on those wages and its allocable cost of maintaining health insurance coverage for the employee during the sick leave period (qualified health plan expenses).
4. The Eligible Employer is not subject to the employer portion of social security tax imposed on those wages.
5. The set up in Ultipro will ensure that the tax credits are calculated correctly and the 941s adjusted appropriately.
6. See the Ultipro processing instructions for how to record these credits in Quickbooks.

Parishes and schools that pay qualified leave wages will be able to retain an amount of all federal employment taxes, rather than depositing them with the IRS, equal to the amount of the:

1. Qualified leave wages paid
2. Allocable qualified health plan expenses
3. Amount of the employer's share of Medicare tax imposed on those wages,

The federal employment taxes that are available for retention by Eligible Employers include:

1. Federal income taxes withheld from employees
2. The employees' share of social security and Medicare taxes
3. The employer's share of social security and Medicare taxes with respect to all employees.

Parishes and schools claiming these credits must retain records and documentation related to and supporting each employee's leave to substantiate the claim for the credits (see forms included with this package), as well retain the Forms 941, Employer's Quarterly Federal Tax Return, and 7200, Advance of Employer Credits Due To COVID-19, and any other applicable filings made to the IRS requesting the credit.

Tax credits can be taken during the SBA – PPP loan covered period, however the wages associated with the credit cannot be claimed as payroll costs as part of the usage of the loan proceeds.

Here is a link to the FAQs related to the Sick and Family Leave Tax Credits:

<https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs>

## **5. Paid Family Leave Refundable Tax Credit**

In addition to the paid sick leave credit, under the expanded FMLA, an employee who is unable to work (including telework) because of a need to care for a child whose school or place of care is closed or whose child care provider is unavailable due to COVID-19, as described in (e) above, is entitled to paid family and medical leave equal to two-thirds of the employee's regular pay, up to \$200 per day and \$10,000 in the aggregate. Up to ten weeks of qualifying leave can be counted towards the family leave credit.

- a. Forms specific to EFML, as well as instructions for Ultipro recording have been included with this package.
- b. The Eligible Employer is entitled to a fully refundable tax credit equal to the required paid family and medical leave (qualified family leave wages).
- c. This tax credit also includes the Eligible Employer's share of Medicare tax imposed on those wages and its allocable cost of maintaining health insurance coverage for the employee during the sick leave period (qualified health plan expenses).
- d. The Eligible Employer is not subject to the employer portion of social security tax imposed on those wages.
- e. The set up in Ultipro will ensure that the tax credits are calculated correctly and the 941s adjusted appropriately.
- f. See the Ultipro processing instructions for how to record these credits in Quickbooks.

Parishes and schools that pay qualified leave wages will be able to retain an amount of all federal employment taxes, rather than depositing them with the IRS, equal to the amount of the:

4. Qualified leave wages paid
5. Allocable qualified health plan expenses
6. Amount of the employer's share of Medicare tax imposed on those wages,

The federal employment taxes that are available for retention by Eligible Employers include:

4. Federal income taxes withheld from employees
5. The employees' share of social security and Medicare taxes
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Parishes and schools claiming these credits must retain records and documentation related to and supporting each employee's leave to substantiate the claim for the credits (see forms included with this package), as well retain the Forms 941, Employer's Quarterly Federal Tax Return, and 7200, Advance of Employer Credits Due To COVID-19, and any other applicable filings made to the IRS requesting the credit.

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***Please contact your Regional Controller, your Employee Relations Manager, as well as the Ultipro team to determine applicability of the available tax credits and the proper credit amounts.***