

# COVID-19 BUSINESS SUPPORT

# PAID LEAVE CREDIT



## ELIGIBILITY FOR BUSINESSES

If you meet all of these criteria--

- Are a business with under 500 employees
- Offered paid sick or family leave to your employees after April 1, 2020
- Had employees take paid leave due to illness, quarantine, or caregiving

You may be eligible for tax credits up to more than \$5,000 per employee who took sick or family leave.

## What it is

Tax credits for businesses that offer paid leave

## How it works

Beginning in early 2020 as part of the first COVID-relief law, businesses with fewer than 500 employees were required to provide paid sick leave and paid family leave to employees who were dealing with certain consequences of the ongoing pandemic.

Under the law, businesses may be entitled to a tax credit equal to 100% of the paid sick leave and paid family leave provided to employees, up to a certain level.

## To get started

If your business provided paid leave to employees in 2020 and you have not yet claimed the credit, you can file amended payroll tax forms to claim the credit and receive your tax refund for 2020.

**For information about claiming these credits,** visit <https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs>

*Please note that this document is a simplified description of the paid leave credit rules. Business owners should consult with their tax advisors regarding the specifics of their situation.*



## Overview & Rules

The **sick leave** rules required businesses to provide up to 80 hours of paid leave at either:

- (1) the employee's regular wage, capped at \$511/day up to a total of \$5,110, if the employee was sick or quarantining; or
- (2) two-thirds the employee's regular wage, capped at \$200/day up to a total of \$2,000, if the employee was taking time to care for someone else who was quarantining or a child whose school or child care was closed due to COVID.

The **family leave** rules required businesses to provide up to ten additional weeks of leave for employees who are unable to work because they need to care for children whose school or normal child care is not available due to COVID. Those employees are entitled to two-thirds of their regular wages, capped at \$200/day up to a total of \$10,000.

## Paid Leave Credit in 2021

Although the law no longer requires businesses with 500 or fewer employees to offer paid leave as part of the continuing COVID-relief efforts, **if a business does provide paid leave to its employees then it can claim these dollar-for-dollar tax credits for wages paid through September 30, 2021.** These credits can be claimed against payroll taxes on a quarterly basis, improving cash flow in the very near-term.

**Offering paid sick and family leave will help keep the virus under control by ensuring sick employees can stay home. Your business can claim additional tax credits in 2021 by continuing to offer paid leave.**