

LEGAL UPDATE

IRS Issues Employer Resources on FFCRA Leave Tax Credits

The IRS has released new resources explaining the tax credits available for employers who opt to provide paid family leave and paid sick leave under the Families First Coronavirus Response Act (FFCRA) and the American Rescue Plan Act (ARPA) through Sept. 30, 2021. The new resources consist of a [fact sheet](#) and a “[snapshot](#)” document published on April 21, 2021, in conjunction with public remarks by President Joe Biden calling on employers to help their employees get vaccinated.

Qualifying Leave

Under the ARPA, eligible employers may take a tax credit (within set limits) against their share of the Medicare tax to fund the cost of paid employee leave taken for specific COVID-19-related reasons, **including to receive and recover from vaccinations**. The credits are available from April 1-Sept. 30, 2021.

Eligible Employers

Employers with fewer than 500 employees are eligible for the credit, with the exception of federal government employers and any agency or instrumentality of the federal government that is **not** a 501(c)(3) organization.

Claiming the Credit

In anticipation of claiming the credits on [Form 941](#), Employer’s Quarterly Federal Tax Return, employers can keep all employees’ federal income tax withholdings and the employees’ and employer’s share of Social Security and Medicare taxes—which they otherwise would have deposited—up to the amount of credit for which they are eligible. If this does not cover the amount of the anticipated credits, the employer may request an advance by filing [Form 7200](#), Advance Payment of Employer Credits Due to COVID-19.

Highlights

- The ARPA extended tax credits for FFCRA paid leave voluntarily provided by employers through Sept. 30, 2021.
- The tax credits cover costs related to the leave, including employee wages, health care and the employer's Social Security and Medicare taxes.
- The tax credit limit is \$511 per day and \$5,110 total for paid sick leave, and \$200 per day and \$12,000 total for paid family leave.

Employers report their paid sick and family leave wages for each quarter on their federal employment tax return.



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