

# TAX ALERT

## FAMILIES FIRST CORONAVIRUS RESPONSE ACT: REFUNDABLE PAYROLL TAX CREDITS BY RYAN VAUGHAN

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On Friday, March 20, the IRS issued Information Release 2020-57 announcing that employers can begin claiming the two new refundable payroll tax credits under the Families First Coronavirus Response Act ("the Act"). The IRS also announced that it will release guidance on how eligible employers who pay qualifying sick or childcare leave under the Act will be able to request an accelerated payment from the IRS for the two new refundable payroll tax credits.

The Act provides paid sick leave and expanded family and medical leave for COVID-19-related reasons and created a refundable paid sick leave credit and a paid childcare leave credit for eligible employers.

Eligible employers are businesses and tax-exempt organizations with fewer than 500 employees that are required to provide emergency paid sick leave and emergency paid family and medical leave under the Act. These credits can be claimed based on qualifying leave eligible employers provide between the effective date and December 31, 2020. Equivalent credits are available to self-employed individuals based on similar circumstances. See Mazars USA's Tax Alert from March 19<sup>th</sup> for more information on the Act. (<https://mazarsusa.com/ledger/families-first-coronavirus-response-act-provides-tax-relief-to-individuals-small-businesses-and-the-self-employed/>)

This Information Release states that under guidance that will be issued next week, eligible employers who pay qualifying sick or childcare leave will be able to retain an amount of the payroll taxes equal to the amount of qualifying sick and childcare leave that they paid, rather than deposit them with the IRS.

The Information Release also says that the payroll taxes that are available for retention include withheld federal income taxes, the employee share of Social Security and Medicare taxes, and the employer share of Social Security and Medicare taxes with respect to all employees.

If there are not sufficient payroll taxes to cover the cost of qualified sick and childcare leave paid, employers will be able to file a request for an accelerated payment from the IRS. The IRS expects to process these requests in two weeks or less. The details of this new, expedited procedure will be announced next week.

Please contact your Mazars USA LLP professional for additional information.

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