Paid Leave Requirements & Tax Credits for NECA Contractors

Background:
The Families First Coronavirus Response Act (FFCRA) requires that employers with fewer than 500 employees offer ten days of fully Paid Sick Leave and 12 weeks of partially paid Family Leave to employees affected by the COVID-19 pandemic.

Paid Leave Requirements:
Employers must pay 100% of wages, up to $511 per day for up to two weeks ($5,110), to employees who take Paid Sick Leave because they are sick with COVID-19, quarantined, or seeking diagnosis.

Employers must pay 2/3 of daily wages, up to $200 per day for up to two weeks ($2,000), to employees who take Paid Sick Leave to care for a sick family member or a child whose school or care provider is unavailable because of a Coronavirus-related shutdown.

Employers must pay 2/3 of daily wages, up to $200 per day for up to 10 weeks ($10,000) after two weeks of unpaid leave, to employees who take Family Leave to care for a child whose school or care provider is unavailable because of a Coronavirus-related shutdown.

Employers with fewer than 50 employees may choose to not offer either type of leave to employees for the purpose of taking care of children whose school or care providers are unavailable, if providing this leave would jeopardize the financial health of the company. No documentation must be submitted to the government to elect this exemption.

Employer Reimbursement:
Employers who pay either type of leave may automatically claim a social security payroll tax credit covering 100% of paid leave wages each quarter, up to the maximum caps ($5,110 or $2,000 for Sick Leave and $10,000 for Family Leave).

On top of the wages paid, employers may also claim as part of this credit all allocable qualified health plan expenses and the employer’s share of Medicare tax related to the leave wages paid.

If you pay either type of leave in a quarter, keep records of this and claim the full amount on your quarterly IRS Form 941 as credits. Include wages and relevant health plan and Medicare Tax expenses. Retain the full tax amount due to you when filing.

If the payroll tax credits owed to you are not sufficient to cover the full cost of your Paid Sick and Family Leave payments (plus related health plan and Medicare Taxes), you may request advance payment for the additional amount owed by filing an IRS Form 7200.

For More Information:
IRS FAQ on COVID-19 Tax Credits for Required Paid Leave
DOL Guidance on Employer Leave Requirements