

# STEELE MARTIN JONES & COMPANY

CPAs and Business Advisors

## PAYROLL BULLETIN – COVID EDITION

July 2020

*Many of you may have missed this as the world has turned upside down in the last four months. Congress has **REQUIRED that you provide certain sick pay** to COVID 19 affected employees in certain circumstances. The good news is that **this is government-paid by a refundable credit which employers receive** against payroll taxes paid. In theory, the employer should be made close-to-whole with this.*

*This sick pay is not related to lay-offs for lack of work, but only if the employee is sick or self-quarantined or taking care of a sick person. Not available for any other illness. There is partial pay for a parent taking care of children at home that can't find suitable daycare, including closed schools. Self-employed may be eligible for a credit with their 2020 taxes for their time off.*

*This affects ALL employers up to 500 employees. If you have less than 50 employees, this is optional but we do suggest you use the government funding in lieu of your paying the wages. If someone is sick, you don't want them at work, and this covers their pay.*

*This is in effect for the remainder of 2020. We look forward to your questions.*

Article from Accounting Today 3/20/20:

A package of coronavirus relief legislation that was signed into law Wednesday includes provisions for paid sick leave, family leave and medical leave, along with tax credits to help employers and the self-employed pay for them.

The Families First Coronavirus Response Act also includes provisions for free coronavirus testing, enhanced unemployment insurance, expanded food security initiatives and increased Medicaid funding from the federal government.

The law *requires* employers with under 500 employees to give paid sick leave and paid family and medical leave to eligible employees who have worked at least 30 days before the impact of novel coronavirus. Businesses need to provide up to 10 business days (or two weeks) of paid sick leave and as many as 10 weeks of protected paid family and medical leave for eligible employees impacted by the disease.

Qualifying employers are required under the law to permit two weeks of paid sick leave to employees affected by coronavirus, for a number of hours tied to an employee's full- or part-time status. The emergency sick leave is limited to \$511 per day, or \$5,110 in total, for employees who are in quarantine

or looking to get a diagnosis for coronavirus. Employees can also get \$200 per day, or a total of \$2,000, to care for a quarantined family member or for childcare.

The bill also expands family and medical leave by giving workers the right to take up to 12 weeks of job-protected leave if the employee or a family member is in quarantine or if their child's school or childcare location is closed due to coronavirus. Employers are required to provide at least two-third of the employee's usual pay up to \$200 per day, or a total of \$10,000. Those provisions can apply after employees take the two weeks of emergency paid sick leave.

To help employers pay for these requirements, the law provides a refundable payroll tax credit for 100 percent of qualified paid sick leave wages paid by an employer, which is permitted against the employer portion of Social Security taxes. There's also a refundable tax credit for 100 percent of qualified family leave wages paid by an employer, which is allowed against the employer portion of Social Security taxes.

For the self-employed, the law provides a refundable tax credit for 100 percent of qualified sick leave wages for individuals in quarantine for coronavirus, or for 67 percent of qualified wages when caring for a quarantined family member or child whose school or place of care was closed because of coronavirus. This tax credit is allowed against income taxes. There's also a refundable tax credit for family leave for self-employed individuals equal to 100 percent of qualified family leave wages.

*STEELE MARTIN JONES NOTE: we strongly recommend that you have documentation of employees paid under this act, in order to be able to claim the tax credit if/when audited. Generally, that would be something from their health care provider telling you they needed to be away from work, or something from daycare that requires the employee to be off.*

*Steele Martin Jones provides year-round payroll services to nearly 100 clients, all from staff in our Jackson office. If you or a small business owner that you know desires the personal and professional touch for payroll services, we would appreciate your referral. Contact us by either phone or email.*

*We're the CPA firm that talks to our clients.*