

Refundable Payroll Tax Credits

Updated March 24th, 2020

On Monday, March 23rd, the U.S. Treasury Department, Internal Revenue Service and the U.S. Department of Labor announced that small and midsize employers – defined as businesses with fewer than 500 employees – can begin taking advantage of two new refundable payroll tax credits, designed to immediately and fully reimburse them, dollar-for-dollar, for the cost of providing Coronavirus-related leave to their employees.

The act will give small and midsize employers funds to provide employees with paid leave, either for the employee's own health needs or to care for family members. The key takeaways from the legislation include:

- **Paid Sick Leave for Workers:** For COVID-19 related reasons, employees receive up to 80 hours of paid sick leave and expanded paid child care leave when employees' children's schools are closed or child care providers are unavailable.
- **Complete Coverage:** Employers receive 100% reimbursement for paid leave pursuant to the act.
- **Fast Funds:** Reimbursement will be quick and easy to obtain; an immediate dollar-for-dollar tax offset against payroll taxes will be provided.
- **Small Business Protection:** Employers with fewer than 50 employees are eligible for an exemption from the requirements to provide leave to care for a child whose school is closed or child care is unavailable in cases where the viability of the business is threatened.

UPDATE: Tuesday, March 24: Congress is currently negotiating another stimulus package to help during this crisis. Sick leave and FMLA coverage is one issue that appears to be under discussion, so there may be some changes to how this tax element works. If anything changes, WG will immediately update you with the latest information.

[Click here](#) for additional details and a very helpful example that demonstrates how the payroll tax credit would be applied.

[Click here](#) for additional information on the Families First Coronavirus Response Act, including common issues employers and employees face when responding to COVID-19, and its effects on wages and hours worked under the Fair Labor Standards Act and job-protected leave under the Family and Medical Leave Act.

