



Duffy Kruspodin, LLP
Certified Public Accountants

San Diego

4225 Executive Square
Suite 900
La Jolla, CA 92037

tel (858) 642-5050
fax (858) 642-5065

4304 Park Blvd.
San Diego, CA 92103

tel (619) 295-2637
fax (619) 299-5549

Los Angeles

21600 Oxnard St.
Suite 2000
Woodland Hills, CA 91367

tel (818) 385-0585
fax (818) 436-7588

tel (805) 379-4487
fax (805) 379-9767

www.dklpcpa.com

Member

American Institute of
Certified Public Accountants

California Society of
Certified Public Accountants



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Re: Families First Coronavirus Response Act: Employer Tax Credits

March 24, 2020

Dear Clients and Friends,

On March 18, 2020, the President signed the Families First Coronavirus Response Act (Coronavirus Response Act) which increases funding for various programs and addresses paid sick and family leave, including tax credits for employers and self-employed persons.

The Coronavirus Response Act requires employers with fewer than 500 employees to provide paid sick leave to employees who are forced to stay home due to quarantining or the care for a family member (qualified sick leave) or to care for a child if the school or place of care is closed (qualified family leave).

Credit for Qualified Sick Leave

In the case of sick leave wages paid by an employer to an employee, the employer may receive a refundable credit against its share of either the OASDI or the RRTA portion (as applicable) of the payroll tax. The credit can be claimed on a quarterly basis, equal to 100 percent of the amount of sick leave wages paid.

The amount of the credit is limited to \$200 per day per employee. However, the credit increases to \$511 per day if the employee is on leave for the following reasons:

- Is subject to a federal, state or local quarantine or isolation order related to COVID-19;
- Has been advised by a health care provider to self-quarantine due to concerns related to COVID-19; or
- Is experiencing symptoms of COVID-19 and seeking a medical diagnosis.

The total payroll tax credit is limited to 10 days of wages per employee.

Credit for Qualified Family Leave

A separate refundable payroll tax credit applies for family leave wages paid by an employer under the Coronavirus Response Act. The credit is 100 percent of the amount of qualified family leave wages limited to \$200 per day per employee, up to an aggregate of \$10,000.

Wages, for purposes of both credits, include a portion of health plan expenses properly allocable to the qualified sick and family leave wages. The paid sick and family leave requirements and the related employer tax credits are temporary. They expire on December 31, 2020.

The IRS is expected to provide additional guidance on these credits soon. Please call our office to discuss how your business may benefit.

Sincerely,

DUFFY KRUSPODIN, LLP