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Re: Plans to Implement Coronavirus Paid Leave and Tax Credits

March 24, 2020

Dear Clients and Friends,

The U.S. Treasury Department, Internal Revenue Service (IRS), and the U.S. Department of Labor (Labor) announced that small and midsize employers 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. This relief to employees and small and midsize businesses is provided under the Families First Coronavirus Response Act (Coronavirus Response Act), signed by President Trump on March 18, 2020.

The Coronavirus Response Act provides paid sick leave and expands family and medical leave for COVID-19 related reasons and creates the refundable paid sick leave credit and the 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. Eligible employers will be able to claim these credits based on qualifying leave they provide between the effective date and Dec. 31, 2020. Equivalent credits are available to self-employed individuals based on similar circumstances.

The Coronavirus Response Act will help the United States combat and defeat COVID-19 by giving all American businesses with fewer than 500 employees the funds to provide employees with paid leave, either for the employee's own health needs or to care for family members. The new law enables employers to keep their workers on their payrolls, while at the same time ensuring that workers are not forced to choose between their paychecks and the public health measures needed to combat the virus.

Key Takeaways

Paid Sick Leave for Workers

- For COVID-19 related reasons, employees receive up to 80 hours of paid sick leave and expanded paid childcare leave when employees' children's schools are closed, or childcare providers are unavailable.

Complete Coverage

- Health insurance costs are also included in the credit.

- Employers face no payroll tax liability.
- Self-employed individuals receive an equivalent credit.

Employers receive 100% reimbursement for paid leave pursuant to the Act.

- An immediate dollar-for-dollar tax offset against payroll taxes is provided
- Reimbursement will be quick and easy to obtain.

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 childcare is unavailable in cases where the viability of the business is threatened.

Easing Compliance

- Requirements subject to 30-day non-enforcement period for good faith compliance efforts.

To take immediate advantage of the paid leave credits, businesses can retain and access funds that they would otherwise pay to the IRS in payroll taxes. If those amounts are not sufficient to cover the cost of paid leave, employers can seek an expedited advance from the IRS by submitting a streamlined claim form.

Contact Us

Please call our office for more information about these credits and other relief. We are here to help you navigate these difficult times.

Sincerely,

DUFFY KRUSPODIN, LLP