COVID-19 employment tax credits

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AT A GLANCE

Financial breaks enacted by the government to combat COVID-19 may benefit dairy farms through the end of the year.

The 2020 coronavirus (COVID-19) pandemic has certainly left many Americans scrambling and having to make lifestyle changes they never expected. While many Americans are left without jobs, there are lots of "essential" employees still working. The U.S. government has tried to ease the burden on business owners and employees through various tax breaks and credits.

Families First Coronavirus Response Act

The Families First Coronavirus Response Act provides tax credits to reimburse employers for covering the cost of paid sick leave and paid family and medical leave to employees unable to work because of COVID-19. These are refundable tax credits, which means if the amount of the credit exceeds the amount of tax owed, the remainder is refunded to the business. This is intended to allow employers to keep employees on the payroll while also making sure employees don't have to choose between their own paychecks and protecting the public from COVID-19.

These credits are available to eligible employers for qualifying leave paid to individuals between April 1, 2020 and Dec. 31, 2020.

To be an eligible employer, the business must employ fewer than 500 full-time and part-time employees within the U.S. or any U.S. territory.

Paid sick leave credit

If an employee is unable to work or telework because they are quarantined or experiencing symptoms of COVID-19, they can receive up to 80 hours of paid sick leave. This is paid at their regular rate of pay or the applicable minimum wage, if higher than the regular pay, for up to a maximum of $511 per day.

If an employee is unable to work or telework because they have to care for someone who is subject to quarantine or to care for a child whose school or child care provider is closed or unavailable, they can receive up to 80 hours of paid sick leave at two-thirds of their regular pay or two-thirds of the applicable minimum wage, if higher than their regular rate of pay, for up to $200 per day.

The business is entitled to a reimbursement for the amounts paid to the employee, plus the employer's portion of the Medicare tax imposed on such wages. In addition, the business can be reimbursed for the cost of maintaining the health insurance for the period the employee is out of work. This credit is claimed on the Quarterly Form 941 or Annual Form 943 (agriculture employers). To get immediate relief from the credit, the business can reduce the required deposit amount paid to the Department of Treasury.

Paid family and medical leave credit

If an employee is unable to work or telework because of a need to care for a child whose school or place of care is closed or whose child-care provider is unavailable due to COVID-19, they are entitled to receive family and medical leave equal to two-thirds of the employee's regular pay, up to $200 per day for up to 10 weeks. This would apply to any employee who has been on the payroll for more than 30 calendar days prior to their leave.

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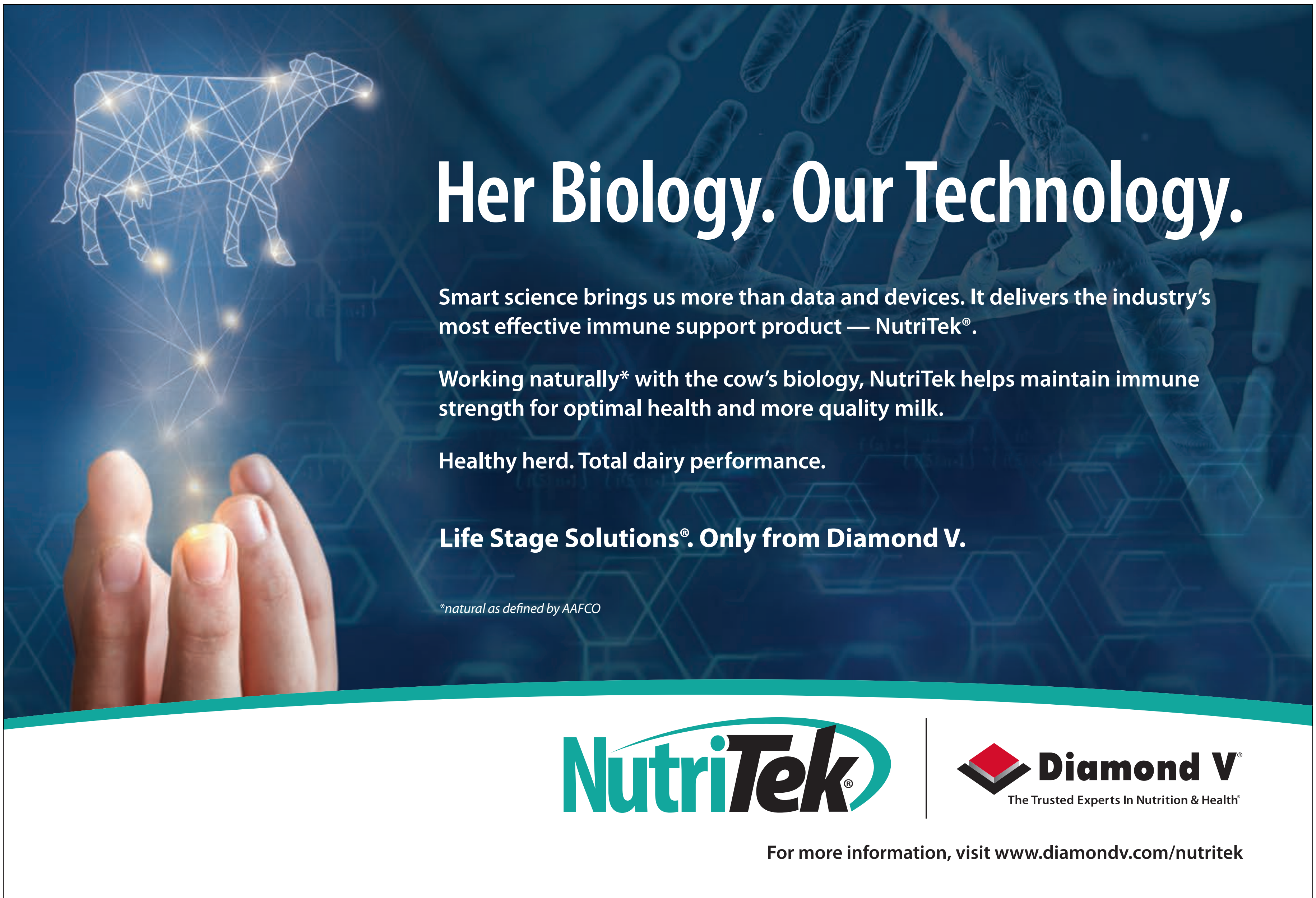
Similar to the paid sick leave credit, the business is entitled to a reimbursement for the amounts paid to the employee, plus the employer's share of Medicare tax imposed and the cost to maintain health insurance coverage.

The paid sick leave and paid family and medical leave credits can both be claimed by the same employee, but not concurrently.

The Coronavirus, Aid, Relief and Economic Security Act (CARES Act)

The CARES Act provides a deferral option of certain payroll taxes for all employers. Employers have the option to defer payment of



their portion of Social Security taxes accrued on wages to all employees paid during the period of March 27, 2020 through Dec. 31, 2020. To receive immediate relief, the employer would reduce the deposit amount made for that pay period. This does not need to be applied evenly throughout the period; thus it is possible to skip one or more payments during the covered period.

The deferred payroll taxes must be deposited within two calendar years, whereas 50% must be deposited by Dec. 31, 2021 and the remainder deposited by Dec. 31, 2022.

The original guidance for the Small Business Interruption Loan under the Paycheck Protection Program (PPP) indicated that this deferral would not be permitted once a PPP loan was forgiven. However, the PPP Flexibility Act enacted on June 5, 2020 eliminated this rule.

Employee Retention Credit

The Employee Retention Credit is available to employers that experience a 50% drop in gross receipts in 2020 as compared to the same calendar quarter from 2019. The credit amount is equal to 50% of the qualified wages paid to employees after March 12, 2020 and before Jan. 1, 2021. Since agriculture employers file an annual Form 943 to report wages, immediate access to this credit would have to be calculated internally and the amount would reduce the liability payments.

It is important to note: The ability to claim this credit is affected by other credits. If an employer receives the Paycheck Protection Program loan, the employer is no longer eligible for this credit.

Payroll tax holiday

On Aug. 8, 2020, President Trump signed an executive order allowing for a payroll tax holiday. The order is intended to halt the deduction of Social Security taxes from paychecks paid to employees between Sept. 1, 2020 and Dec. 31, 2020. This would only apply to individuals who earn less than $104,000 per year. As per the original order, the taxes will still be due and payable at a later date. Additional details regarding this order have not yet been released.

On March 13, 2020, the Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak was signed. Since then, U.S. officials have been working tirelessly to attempt to control the economic effects of the virus through many tax and law changes. Those noted above are simply a few that directly impact businesses and employees, many of which are considered essential.