

# FAMILIES FIRST COVID-19 RESPONSE ACT (FFCRA)

## HOW DOES IT WORK AND WHO DOES IT AFFECT?

An overview provided by:

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# What does the FFCRA do?

- The FFCRA allows employers to compensate their employees when they are not working due to a COVID-19 related issue.
- The FFCRA allows employers to receive immediate tax credits to offset the wages they paid to employees while out of work for COVID-19 related issues.



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# How are effected employees compensated?

- Depending on an employee's specific scenario, we will determine how they are paid, and how much they can be paid.
- We have setup new pay-codes in Evolution in order to process these payments to employees. To learn more about the specific code, contact your payroll specialist.
- These codes can ONLY be used for qualifying leave provided between 4/1/2020 and 12/31/2020.
  - This means the "time off" must be taken between 4/1/20 and 12/31/20. Just because your payroll check date is on or after 4/1 does not necessarily mean that the sick leave should be used.



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# What are the employee categories?

## Paid Sick Leave Category 1

### 2 Weeks Paid Leave, at 100% of their rate (cap of \$511/day)

- Employee is unable to work because they are quarantined due to Fed or State order, or on advice of a healthcare provider.
- Employee is experiencing COVID-19 symptoms and are in the process of seeking a medical diagnosis.
- Evolution Earnings Code “E<“



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# What are the employee categories?

## Paid Sick Leave Category 2

2 Weeks Paid Leave, at 2/3rds of their rate (cap of \$200/day)

- Employee is unable to work because of a bona fide need to care for an individual due to quarantine.
  - E.G. Their elderly parent is quarantined, but the employee themselves isn't.
- Employee must care for a child (under 18) whose school or daycare closed for COVID-19 related reasons.
- Employee is experiencing symptoms similar to those of COVID-19 but is not seeking a medical diagnosis.
  - E.G. They have a runny nose and a cough, but have not attempted to see a Dr. Perhaps due to lack of insurance.
- Evolution Earnings Code "E>"



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# What are the employee categories?

## Child Care Leave

10 Additional Weeks Paid Leave, at 2/3rds of their rate (cap of \$200/day)

- Employees will be granted an additional 10 weeks, on top of their initial 2 weeks PSL if they are unable to return to work due to a need to care for a child whose school or daycare is closed, or if their childcare provider cannot return due to COVID-19.
- Evolution Earnings Code “E>”



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# How are employers compensated?

## Immediate Credits

- Employers will receive immediate credits towards their current payroll's total 941 tax liability if their credit is less than or equal to that payroll's total 941 tax.
  - Example: An employer processes a weekly payroll for 50 employees receiving standard wages, and 10 employees receiving FFCRA Sick Leave wages of \$2,555 each, totaling \$25,550 in FFCRA wages ( $\$2,555 \times 10$  employees). The total 941 tax liability we would normally debit would be \$80,000, but because they paid those employees via the new pay-code we would only debit \$54,450 ( $\$80,000 - \$25,550$ ).



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# How are employers compensated?

## After-The-Fact Credits

- Employers who's total FFCRA credit is higher than their payroll's 941 tax liability will receive their credits at a later date.
  - Example: An employer processes a weekly payroll for 50 employees receiving standard wages, and 35 employees receiving FFCRA Sick Leave wages of \$2,555 each, totaling \$89,425 in FFCRA wages ( $\$2,555 \times 35$  employees). The total 941 tax liability we would normally debit would be \$80,000, but because they paid those employees via the new pay-code their new liability amount becomes **-\$9,425** ( $\$80,000 - \$89,425$ ).
  - Since we can not credit back taxes as they have already been paid out for prior payrolls, we will instead debit \$0.00



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# How are employers compensated?

## After-The-Fact Credits

- How does an employer receive their after-the-fact credit?
  - Per the IRS “If there are not sufficient payroll taxes to cover the cost of qualified sick and child care leave paid, employers will be able file a request for an accelerated payment from the IRS. The IRS expects to process these requests in two weeks or less.” The details of this new, expedited procedure will be announced soon.



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# What employers does FFCRA effect?

- The FFCRA effects any private employer with less than 500 employees.
  - This means ALL employees. Not just Full-Time, or Full-Time Equivalent employees.



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# What employers are exempt?

- Employers with less than 50 employees can attempt to request an exemption.
  - The employer would need to prove why compliance with FFCRA would jeopardize the viability of the business and document the reasons.
  - The Dept. of Labor will release more specific guidance on this process in the coming days/weeks.



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# What about the states?

- There is no one right answer on how individual states are handling this. Some states, like CA, are allowing businesses to pay their withholding taxes up to 60 days late with no penalties or interest. However, as a payroll provider, we are unable to facilitate this. Like all payroll providers, we debit our clients at the time of their check date, not at the tax due date.



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# What about the states?

- What we can do, is offer to block tax debits completely. By doing this, we allow you to continue processing payroll, but that we will not debit your account for any tax liabilities. You will therefore still stay on our tax service (we will still file your quarterly returns) but you will be responsible for paying the taxes at a later date.
  - Please keep in mind, that while we will follow up at a later date regarding uncollected taxes, the payments will still be late.
  - Once you have skipped a payroll tax debit, you can handle the outstanding tax liabilities in one of two ways.
    1. You can let us know at a later date that you have the taxes available and ask us to debit then pay.
    2. You can wait till a tax notice is received from the taxing agency, and work with said agency at that time to pay the tax amount, and potentially abate penalty or interest. (AHCM can assist in facilitating payments from notices)



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# F.A.Q. on Deferred Tax Debits

- AHCM is not liable for any penalties or interest that may accrue from a late, or unpaid taxes.
- AHCM can assist you in requests for abatement. While we will be unable to work directly with agencies in requests for abatement due to uncollected/unpaid taxes, we are happy to give you templates of letters, or word tracks to call agencies, at the time of notices.
- If you have any questions on FFCRA, or deferred tax debits, please reach out to your payroll specialist. There will be a form requiring a signature,



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# Thank You

## Contact Us:

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