

COVID-19 Impact: Families First Coronavirus Response Act

March 20, 2020

The Families First Coronavirus Response Act (Families First Act) was signed into law on March 18, 2020. There are two bills within the Act – Emergency Paid Sick Leave and Emergency Paid Family Leave – that provide relief to employees who are unable to work because of certain circumstances relating to the Coronavirus pandemic.

1 Emergency Paid Sick Leave

The Families First Act expands access to emergency paid sick leave to as many as 87 million U.S. workers. Many of these workers currently have no paid leave and are being forced to choose between their paycheck, their health, and the health of the people around them.

Who Is Eligible?

Employees at companies with fewer than 500 employees and local, state, and federal government employees who can't work due to any of the following reasons:

- ▶ The employee is subject to a Federal, State, or local quarantine order related to COVID-19.
- ▶ The employee has been advised by a health care provider to self-quarantine due to concerns related to COVID-19.
- ▶ The employee is experiencing symptoms of COVID-19 and seeking a medical diagnosis.
- ▶ The employee is caring for an individual who has been ordered to quarantine by a health care provider or Federal, State or local authority.
- ▶ The employee is caring for a child whose school or place of care has been closed or is unavailable due to COVID-19 precautions.

What Are They Eligible For?

Eligible full-time employees are entitled to two weeks (80 hours) of fully paid time off (up to \$511 per day) to self-quarantine or receive treatment for COVID-19.

- ▶ Eligible part-time employees are entitled to full paid time off (up to \$511 per day) for the typical number of hours that they work in a typical two-week period.

Eligible full-time employees are entitled to two weeks (80 hours) paid time off at *two-thirds* of their regular pay (up to \$200 per day) to care for a family member or a child whose school or place of care has closed.

- ▶ Eligible part-time employees are entitled to the typical number of hours that they work in a typical two-week period at *two-thirds* of their typical pay (up to \$200 per day) to care for a child whose school or place of care has closed due to COVID-19.

Who Pays for the Emergency Paid Sick Leave?

Employers initially front the cost of emergency paid sick leave but will be fully reimbursed by the federal government within three months. The reimbursement will cover both the wages paid and the employer's contribution to employee health insurance premiums during the period of leave.

Employers will be reimbursed through a refundable tax credit that counts against employers' payroll tax, which all employers pay regardless of non-profit/for-profit status.

Employers will submit emergency paid sick leave expenses as part of their estimated quarterly tax payments. If an employer's costs are more than their tax liability, they will get a refund from the IRS.

2 Emergency Paid Family Leave

In response to widespread and potentially prolonged school closures, the Families First Coronavirus Response Act protects families to ensure that workers can care for their children without sacrificing their paycheck.

Who Is Eligible?

Employees at companies with fewer than 500 employees, state and local government employees and certain federal government employees who are

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not able to work (or telework) because:

- ▶ They must care for a child under 18 years old if the school or place of care for the child has been closed due to a public health emergency.

What Are They Eligible For?

- ▶ Eligible full-time and part-time employees are entitled to 12 weeks of job-protected leave to take care for their children in the event of a school closure or their childcare provider is unavailable due to COVID-19.
- ▶ The 12 weeks of job-protected leave include two weeks of unpaid leave, followed by 10 weeks of paid leave.
- ▶ Eligible employees may elect or be required to overlap the initial two weeks of unpaid leave with two weeks of other paid leave they have available.
- ▶ Eligible employees will receive a benefit from their employers that will be no less than two-thirds of the employee's usual pay.

Who Pays for the Emergency Paid Family Leave?

Employers initially front the cost of emergency paid sick leave but will be fully reimbursed by the federal government within three months.

The reimbursement will cover both the wages paid and the employer's contribution to employee health insurance premiums during the period of leave.

Employers will be reimbursed through a refundable tax credit that counts against employers' payroll tax, which all employers pay regardless of non-profit/for-profit status.

Employers will submit emergency paid sick leave expenses as part of their estimated quarterly tax payments. If an employer's costs are more than their tax liability, they will get a refund from the IRS.

3 Credits for the Self-Employed

The Act also provides for similar refundable credits against the self-employment tax. It covers 100% of a self-employed individual's sick-leave equivalent amount, or 67% of the individual's sick-leave equivalent amount if they are taking care of a sick family member or child following the child's school closing for up to 10 days.

The sick-leave equivalent amount is the lesser of average daily self-employment income or either:

- (1) \$511/day to care for the self-employed individual or;
- (2) \$200/day to care for a sick family member or child following a school closing.

The information provided in this document is not intended nor can it be used to avoid tax penalties levied by a taxing authority. Actions based on this information should not be taken without further consultation with a licensed tax professional.

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