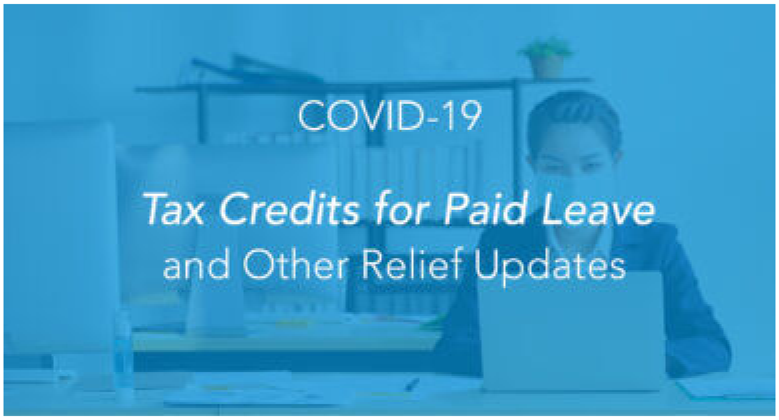
Tax credits for COVID-19 paid leave set to expire September 30 (and updates on other COVID-19 relief programs)



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For over a year, small and midsize employers have been able to claim refundable payroll tax credits that reimburse them for the cost of providing paid sick and family leave to employees related to COVID-19. The Families First Coronavirus Response Act, enacted in March of 2020, required employers with fewer than 500 employees and most governmental employers to provide employees with paid sick and family leave for various COVID-19 related reasons. The *requirement* to provide this leave expired December 31, 2020. However, under the American Rescue Plan Act of 2021 (ARP), employers that choose to provide leave to eligible employees can continue to claim tax credits for leave taken through and including September 30, 2021.

Under the ARP, employees may receive up to 80 hours of paid sick leave and up to 12 weeks of paid family leave. Employers are entitled to tax credits if they provide employees with paid leave because the employee is unable to work due to any of the following reasons:

1. The employee is under a federal, state, or local quarantine or isolation order related to COVID-19.
2. The employee has been advised by a health care provider to self-quarantine due to COVID-19 concerns.
3. The employee is:
   - Experiencing symptoms of COVID-19 and seeking a medical diagnosis;
   - Seeking or awaiting the results of a diagnostic test for, or a medical diagnosis of, COVID-19 (and the employee has been exposed to COVID-19 or the employer has requested the test or diagnosis); or
   - Obtaining or recovering from the COVID-19 vaccine.
4. The employee is caring for an individual subject to an order listed in #1 or who has been advised as described in #2.
5. The employee is caring for a child whose school or place of care is closed, or childcare provider is unavailable, due to COVID-19 precautions.
6. The employee is accompanying an immediate family member or someone who regularly resides in the employee's home to obtain the COVID-19 vaccine or caring for such an individual who is recovering from the COVID-19 vaccine.

The pay to which employees are entitled and the employer's corresponding tax credit vary depending on the reason for leave. Employers must retain records supporting each employee's leave to substantiate their claim for tax credits.

Other COVID-19 Relief Programs

Other government COVID-19 relief programs have already expired or will expire soon. The Paycheck Protection Program, Restaurant Revitalization Fund, and Shuttered Venue Operators Grant program are now closed to new applications. The employee retention credit (ERC), a refundable payroll tax credit for employers experiencing economic hardship due to COVID-19, is scheduled to expire at the end of 2021. However, the bipartisan infrastructure bill pending in Congress would end the ERC three months early on October 1, 2021. The ERC is claimed on an employer’s payroll tax return, which generally can be amended within three years from the date the return was filed.

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