



IRS updates FAQs on paid sick leave credit and family leave credit

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WASHINGTON — The Internal Revenue Service today posted updated FAQs about recent legislation that extended and amended tax relief to certain small- and mid-sized employers under the Families First Coronavirus Response Act (FFCRA). The FAQs are available at [COVID-19-Related Tax Credits for Required Paid Leave Provided by Small and Midsize Businesses FAQs](#).

The updates to the FAQs cover how the COVID-related Tax Relief Act of 2020, enacted December 27, 2020, extends the availability of the tax credits created by the FFCRA to eligible employers for paid sick and family leave provided through March 31, 2021, as well as other amendments to the credits.

The paid sick and family leave credits, which previously were available only until the end of 2020, have been extended for periods of leave taken through March 31, 2021.

The paid sick leave credit is designed to allow qualified businesses – those with fewer than 500 employees and who pay "qualified sick leave wages" – to get a credit for wages or compensation paid to an employee who is unable to work (including telework) because of coronavirus quarantine or self-quarantine or has coronavirus symptoms and is seeking a medical diagnosis. Eligible employers may claim credit for paid sick leave provided to an employee for up to two weeks (up to 80 hours) at the employee's regular rate of pay up to \$511 per day and \$5,110 in total.

In addition, an eligible employer can receive the paid sick leave credit for employees who are unable to work due to caring for someone with coronavirus or caring for a child because the child's school or place of care is closed, or the paid childcare provider is unavailable due to the coronavirus. Eligible employers may claim the credit for paid sick leave provided to an employee for up to two weeks (up to 80 hours) at 2/3 the employee's regular rate of pay, or up to \$200 per day and \$2,000 in total.

Employers are also entitled to a paid family leave credit for paid family leave provided to an employee equal to 2/3 of the employee's regular pay, up to \$200 per day and \$10,000 in total. Up to 10 weeks of qualifying leave can be counted towards the family leave credit.

Eligible employers are entitled to immediately receive a credit in the full amount of the paid sick leave and family leave plus related health plan expenses and the employer's share of Medicare tax on the leave provided through March 31, 2021. The refundable credit is applied against certain employment taxes on wages paid to all employees.

Eligible employers may claim the credits on their federal employment tax returns (e.g., Form 941, Employer's Quarterly Federal Tax Return), but they can benefit more quickly from the credits by reducing their federal employment tax deposits. If there are insufficient federal employment taxes to cover the amount of the credits, an eligible employer may request an advance payment of the credits from the IRS by submitting a Form 7200, Advance Payment of Employer Credits Due to COVID-19.

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