

Coronavirus Tax Relief

March 14, 2020

Highlights

- ✓ New Law Mandates Paid Leave
- ✓ Tax Credits Provided for Paid Leave
- ✓ Administration Proposes Postponement of Return Due Dates

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SPECIAL REPORT

House Passes Bill Providing Testing, Employment Relief; Postponement of Filing Deadline Proposed

As coronavirus (COVID-19) continues to spread, rattling financial markets, forcing the closures of businesses and schools, and canceling major public events across the country, the Trump Administration and Congress began taking steps to mitigate the impact on Americans. On March 13, 2020, President Trump declared a national emergency, which frees up \$50 billion in funding for state and local governments to use in fighting the pandemic. Similarly, the House, after working closely with Administration officials, passed the Families First Coronavirus Response Act (H.R. 6201) early in the morning on March 14, 2020, increasing funding for testing and extending paid sick leave to employees all over the country affected by the pandemic. The Senate will vote on the bill during the week of March 15, 2020, and the President has indicated his intention to sign the bill into law.

PAID LEAVE

The bill passed by the House requires employers to provide paid sick leave to employees who are forced to stay home due to coronavirus infection or to care for a family member (“qualified paid sick leave”) or due to quarantining (“qualified family leave”). In all cases, the requirement of providing paid leave terminates one year after the new law is effective. The bill compensates employers and the self-employed for this paid leave in the form of a tax credit.

 **COMMENT.** *Only a very small portion of the bill provides tax changes. The bill is largely focused on funding for increased coronavirus testing, ensuring free testing for everyone, and continuing student lunch programs when schools are closed.*


In the case of sick leave wages paid by an employer to an employee, the employer receives a credit against its portion of the payroll tax (OASDI tax). The credit can be claimed on a quarterly basis, equal to 100 percent of the amount of sick leave wages paid under the new law. The amount of the credit is limited to \$511 per day, up to an aggregate of \$7,156 per employee. The amount of total hours of paid sick leave is limited by the new law.



For family leave wages paid by an employer, a separate payroll tax credit applies, with different limitations. The 100 percent credit against the employer's share of the payroll tax is limited to \$200 per day, up to an aggregate of \$10,000.

For self-employed persons, the credit is allowed against regular income taxes. The limit on sick leave wages is determined by multiplying the number of days the self-employed person is unable to perform services in the trade or business by the lesser of the taxpayer's average daily self-employment income, or \$511. The same calculation is made for family leave wages, with days unable to perform services multiplied by the lesser of the taxpayer's average daily self-employment income, or \$200.

The new law provides numerous requirements, limitations and definitions relating to the application of the mandate, as well as the credit.

 **COMMENT.** *As mentioned above, these provisions are all temporary, effective for only one*

year after the date the bill is signed into law. The tax provisions do not make changes to the Internal Revenue Code.

PROPOSED FILING DATE DELAY

The White House, as well as the Treasury Department, has indicated they intend to postpone the tax return filing deadline for the 2019 tax year. At the time of publication, the IRS has not yet issued an official notice of a postponement, or any guidance on the issue. The Internal Revenue Code grants the IRS authority to postpone deadlines by reason of a federally declared *disaster* under the Stafford Act. Since President Trump invoked the Stafford Act to declare a national *emergency* rather than a national disaster, it is unclear whether the IRS has authority to postpone the filing deadline. Unless action is taken soon by the IRS, Forms 1065 and 1120-S for the 2019 tax year are due Monday, March 16, 2020 and Forms 1040 and 1120 are due April 15, 2020.