

Did you or your team need time off for coronavirus, quarantine, or remote school in 2020 or 2021?



Learn more about

The Families First Coronavirus Response Act

Did you have staff who needed time off in 2020 or 2021 for:

- Coronavirus-19 (COVID) illness;
- Quarantining because of a potential or direct COVID exposure;
- Taking care of a family member with COVID; or
- Taking care of your children because their child care provider or school was closed or limited to remote education?

If you answered yes, to any of these questions, even if they were in the past, you may be able to qualify for federal funds.

What is Families First Coronavirus Response Act Leave?

When the pandemic struck, many small businesses could not afford to provide the additional sick leave that would be needed due to COVID-19 related illness or quarantine. Additionally, many schools closed in reaction to the pandemic, forcing countless parents to stay home with their children and support them with remote schooling. In many cases, these small businesses lacked the reserve funds needed to pay employees whose children were now at home, leaving them unable to return to work but with no income. As such, the Federal Government created the Families First Coronavirus Response Act (FFCRA) Leave which provides funds in the form of payroll tax credits to help alleviate the economic impact of needing to provide this leave.

Is my business eligible?

If you have fewer than 500 employees, you can take advantage of the FFCRA. **Even if you are a sole proprietor or self-employed and it is just you – you can take advantage of the program.**

PRO TIP If you have a PPP, you cannot “double count” the money. Make sure that the salary you are counting for the FFCRA is not the same as the PPP. For example, if you are claiming PPP forgiveness for all your salary in May 2020, you cannot also claim an FFCRA.

PRO TIP If you have 500 or more employees, you’re not eligible to claim the credit for qualified paid sick and family leave wages.

How does it work?

The FFCRA covers leave taken between April 1, 2020 and September 30, 2021.

There are two types of leave available.

EMERGENCY PAID SICK LEAVE ACT (EPSLA)

First, the Emergency Paid Sick Leave Act (EPSLA) provides up to 80 hours of sick leave for employees:

- **At their regular rate of pay** (up to \$511 per day with a cap of \$5,110 for the whole 80 hours) if the employee is quarantined for potential COVID-19 exposure or has COVID-19 symptoms.
- **At two-thirds their regular rate of pay** (up to \$200 per day with a cap of \$2,000) if the employee is caring for someone under quarantine or a child (under 18) whose school or child care provider is closed or unavailable for reasons related to COVID-19. **A school closure includes remote learning situations where the child is at home.**

EMERGENCY FAMILY AND MEDICAL LEAVE EXPANSION ACT (EFMLEA)

Second, the Emergency Family and Medical Leave Expansion Act (EFMLEA) provides up to **12 weeks** of expanded family and medical leave with 10 of those weeks paid at **two-thirds the employee’s regular rate of pay** (up to \$200 per day with a cap of \$2,000) if the employee is unable to work (including telework) to care for a child whose school or childcare provider is closed due to COVID-19. **A school closure includes remote learning situations where the child is at home.**

How do I get reimbursed?

You get reimbursed through a “refundable tax credit.” That’s a technical way of saying the United States Treasury pays you using money from employment taxes. Think of this term as simply a “reimbursement” for the applicable wages.

Reimbursement is handled differently if the employee taking the leave is a “W-2 employee” or a sole proprietor/self-employed individual.

For W-2 Employees

You can get reimbursement for W-2 employees in two ways.

- 1** You can take the money owed off your quarterly employment tax returns (this is typically through an IRS form 941). Any credit above what you are paying in federal employment tax can be requested using the IRS Form 7200.
- 2** You can request payment any time (even more than once in a quarter) using the IRS Form 7200 (even if you didn’t withhold your payroll taxes). **The Form 7200 is easy, and since it can be done as many times as you want, it’s an easier way to ensure a positive cash flow for your business.**

For Sole Proprietors & the Self-Employed

If you are a sole proprietor or self-employed business who are eligible to the credit you need to alert your tax preparer of the need to use **Form 7202: Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals**. To help you with this process, we have created **Attachment A**, which provides a way to share the data (and how to use the credit) with your tax preparer.

It is important to know you can claim the credit for 2020, even if you already submitted your taxes. You will need to ask your tax preparer to file a Form 1040x. You can also do this through the amendment process of most tax software programs.

Filling Out Form 7200

Form 7200 is intimidating at first. But if you take it one field at a time, you'll find it is something that can be completed in a short amount of time.

PRO TIP This form is for advance payment on credits for W-2 employees only for the Families First Leave or the Employee Retention Tax Credits. Sole Proprietors and self-employed cannot apply for the ERTC, and for Families First should report it through their end of year taxes or deduct it from their quarterly estimated taxes.

Name – This is the name of your business.

Trade name (if any) – If you legally use another name for your business.

Employer identification number (EIN) – Your business ID with the federal government.

Address – Put in your business address.

Applicable calendar quarter – Check the box to indicate the applicable calendar quarter of 2020 for which you're filing Form 7200.

Does a third-party payer file your employment tax return? – This is the name of your payroll company if you use one.

Third-party payer's EIN (if applicable) – This is the payroll company's EIN (if you use one).

Part I: Tell Us About Your Employment Tax Return

Line A – Check the box to tell us which employment tax return you file or will file for 2020. Most of you will use a 941 (quarterly employee tax return).

Line B – Let them know if you are a new business that started on or after January 1, 2020. If you're a new business that hasn't yet filed an employment tax return, you may skip Line C. If you've already filed Form 941, Form 941-PR, or Form 941-SS for at least one quarter of 2020, you must complete Line C.

Line C – This is the amount reported on Line 2, Wages, tips, and other compensation, of your most recently filed Form 941. The IRS will use this information to verify that you are the employer you are claiming to be.

Line D – Enter the total number of employees you have.

Part II: Enter Your Credits & Advance Requested

For example, if you file Form 7200 on April 24, 2020, because you have a \$7,000 employee retention credit to report on Line 1 and reduced deposits of \$4,000 to account for the credit (Line 5), but you previously filed a Form 7200 on April 10, 2020, that reported \$5,000 on Line 1 and reduced deposits of \$3,500 on Line 5, the Form 7200 you file on April 24, 2020, will report \$12,000 on Line 1, \$7,500 on Line 5, and \$1,500 on Line 6 (advance from Form 7200, Line 8, filed April 10). The advance payment requested (Line 8) on April 24 is \$3,000.

PRO TIP The amounts entered on Lines 1, 2, 3, 5, and 6 are cumulative totals for the quarter.

Line 1 – Enter 50% of the amount of the qualified wages you paid to your employees so far in the current quarter.

If you paid any qualified wages between March 13, 2020, and March 31, 2020, include 50% of those wages together with 50% of any qualified wages paid during the second quarter for the second-quarter total to enter on Line 1.

Only enter 50% of the qualified wages; don't enter the full amount. Qualified wages may not exceed 50% of \$10,000 (\$5,000) for any employee for all quarters.

Qualified wages are wages for social security and Medicare tax purposes paid to certain employees during a quarter in which your operations are suspended due to a government order or during a quarter in which you have had a significant decline in gross receipts.

Example of a Significant Decline in Gross Receipts

Let's say in Quarter 2 your gross receipts were 35% of 2019 levels. Then, in Quarter 3 you jumped up to 95% of gross receipts from 2019. You still qualify in Quarter 3 because of the reduced Quarter 2 levels. In Quarter 4, you will no longer qualify if your gross receipts are still more than 50% of 2019 levels.

Line 2 – Enter the qualified sick leave (for COVID illness, taking care of family with COVID or quarantining because of COVID). Remember – wages may not exceed \$511 for any day (or portion of a day) for which the individual is paid sick leave.

Line 3 – Enter the qualified family leave wages you paid so far in the current quarter. You may add to this Line your cost of maintaining health insurance coverage for the employee during the family leave period (see **Credit for certain health plan expenses**, later), and you may also add to this Line the employer's share of Medicare taxes on the qualified family leave wages paid. Remember – qualified family leave wages can't exceed \$200 per day or \$10,000 in the aggregate per employee for the year.

Line 4 – Add Lines 1, 2, and 3 and enter the result on Line 4.

Line 5 – Enter the amount by which you have already reduced your federal employment tax deposits for the credit for qualified leave wages (and certain health expenses and the employer’s share of Medicare tax on the qualified leave wages) and the employee retention credit for this quarter. If you use a payroll company they may have already applied some of the credit to your payroll. They should have a report to provide this information to you.

Line 6 – Enter the amount of any advances that you applied for on previous filings of this form for this quarter. So, if you have already filed one or more Form 7200s the total should be here.

Line 7 – Add Lines 5 and 6 and enter the result on Line 7.

Line 8 – Subtract Line 7 from Line 4 and enter the amount on Line 8. If the amount is zero or less, don’t file this form; you’re not eligible to receive an advance. If it is more than zero, this is the amount which will be sent in a check to you.

Third-Party Designee

If you want to allow an employee, a paid tax preparer, or another person to discuss your Form 7200 with the IRS, check the “Yes” box in the Third-Party Designee section.

Sign Here (Approved Roles)

Complete all information and sign Form 7200. The following persons are authorized to sign Form 7200 for each type of business entity.

- **Sole proprietorship** – The individual who owns the business.
- **Corporation (including a limited liability company (LLC) treated as a corporation)** – The president, vice president, or other principal officer duly authorized to sign.
- **Partnership (including an LLC treated as a partnership) or unincorporated organization** – A responsible and duly authorized partner, member, or officer having knowledge of its affairs.
- **Single-member LLC treated as a disregarded entity for federal income tax purposes** – The owner of the LLC or a principal officer duly authorized to sign.

What else should I know?

Employers may exclude healthcare providers or emergency responders from EPSLA and EFMLEA leave, and businesses with less than 50 employees can qualify for an exemption if the leave would jeopardize the viability of the business.

For more information:

Visit the [US Department of Labor website](#).

Attachment A: Supplemental Worksheet for Form 7202 IRS Credits for Sick Leave and Family Leave

In accordance with the Families First Coronavirus Response Act, sole proprietors must use Form 7202 IRS to report the number of days unable to perform services between the dates of April 1, 2020 through December 31, 2020 as a result of government-ordered closures, COVID-19 related self-quarantine, caring for an individual under quarantine, or caring for a child whose school, place of care, or childcare provider was unavailable due to COVID-19. Use the worksheet below to complete Form 7202 IRS and enter the resulting total on Line 12b on Schedule 3 (1040) Additional Credits and Payments as a qualified sick and family leave credit.

In the table below, enter leave taken between April 1, 2020 to September 30, 2021 *due to COVID-19 related government-ordered business closures or COVID-19 related self-quarantine*. Enter the total on Line 1 of Form 7202 IRS.

FORM 7202 IRS: LINE 1		
Start Date	End Date	Total Days
TOTAL (add all rows):		

In the table below, enter leave taken between April 1, 2020 to September 30, 2021 *due to care of an individual under COVID-19 related quarantine, care of a child whose school, place of care, or childcare provider was closed due to COVID-19.*¹ Enter the total on Line 2 of Form 7202 IRS.

FORM 7202 IRS: LINE 2		
Start Date	End Date	Total Days
TOTAL (add all rows):		

¹ A child must be under 18 years of age or incapable of self-care due to mental or physical disability.

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