

Is Your Company Eligible for a Refundable Payroll Tax Credit for Missed Work Time Related to the COVID-19 Vaccination?

April 26, 2021



On March 11, 2021, President Biden signed into law the American Rescue Plan (ARP) and recently highlighted a new provision in the Law. The ARP enhanced the Families First Coronavirus Response Act (FFCRA) signed into law by former President Trump on March 18, 2020, and expanded the Emergency Paid Sick Leave Act (EPSLA) as discussed below. This expansion of EPSLA applies to employers with under 500 employees.

The Emergency Paid Sick Leave Act allows an employer to claim a payroll tax credit equal to 100% of the qualified sick leave wages on an employee who is paid qualified sick leave wages.

If the sick leave is paid because the employee is directly affected, experiencing symptoms and seeking a medical diagnosis for COVID-19, then *the qualified sick leave wages* are 100% of the employee's wages subject to a \$511 per day or \$5,110 total for 10 days limitation.

The ARP extended and expanded the provisions of this credit to include employees who are experiencing symptoms, seeking a medical diagnosis or awaiting the results of the COVID test or are ***in the process of obtaining or recovering from the effects of any COVID-19 immunization.***

In terms of extending the credit, EPSLA resets the 10-day limitation which means that the employer has two periods to claim this credit. The employer can claim the original credit as written under the FFCRA from its enactment up to March 31st, 2021, and then subsequently claim the credit again from April 1st, 2021 to September 30, 2021 for another 10 days on the same employee if needed. **The expansion to cover employees obtaining or recovering from the effects of any COVID immunization is only applicable to employees who were or will be vaccinated after March 31, 2021 through September 30, 2021.**

What Could This Credit Be Worth to a Qualifying Employer?

For example, an employer has 150 employees of which 90% get the vaccine, with each dose obtained from April 1, 2021 through September 30, 2021. Most employees were subject to the two-dose regimen and took off one half day for each vaccine. One third of the employees had reactions which meant they missed another day of work. As such, 135 days were missed because of the vaccine and another 50 days lost due to the reaction to the vaccine. Assuming average per day payroll is \$300, a refundable payroll tax credit of \$55,500 ($185 \times \300) can be taken on the payroll tax return.

The example above is to show that even a modest amount of time off can lead to a \$50,000+ credit. If the average payroll was \$500 per day, the credit jumps to \$92,500. For even larger employers, the credit can mean hundreds of thousands of dollars!

Self-employed individuals may also claim the enhanced sick leave and family leave credits similar to the one offered to employers. The provisions are generally the same except that for the self-employed taxpayer, the credit will be based on the net earnings during the year divided by 260 days to determine the credit limitations. The ARP increased the day limitation to 60 days (\$12,000 overall; \$200 per day).

Because employers cannot double dip and take this credit if they are also taking PPP loans, the Employee Retention Credit or other payroll tax credits, it's important to understand how all these programs interact with one another.

If you have any questions on the refundable payroll tax credit and / or other relief programs, please contact Richard Stieglitz, CPA at richard.stieglitz@anchin.com, or our Anchin COVID-19 Resource Team at COVID19@anchin.com, or your Anchin Relationship Partner.