

# Navigating COVID-19 Regulations Impact on Your Payroll



DM Payroll Solutions is here to help your business navigate the complex payroll aspects of the recently passed Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Families First Coronavirus Response Act (FFCRA). We've provided a brief summary of key provisions that may impact your business's payroll below.

## Employer Social Security Deferral

Provisions in the new legislation allows for eligible companies to be able to delay their share of Social Security payroll taxes to the Internal Revenue Service until Jan. 1, 2021, with 50% owed by the end of 2021 and the other half due Dec. 31, 2022. This would be applicable for all employers who pay employer-side Social Security tax between March 27, 2020 and Dec. 31, 2020.

As we understand it, a business cannot defer its Social Security tax and take advantage of the small business loan forgiveness. We recommend you discuss with legal counsel your approach and impact on your business.

***DM Payroll Solutions stands ready to accommodate a Social Security deferral on your next payroll if you choose.***

## Employer FFCRA Tax Credits

Employers with less than 500 employees are eligible for tax credits to cover wages paid to employees while they are taking time off under the FFCRA's sick leave and family leave provisions through the end of 2020. The tax credits equal 100% of qualified wages paid, subject to the caps noted below.

- The family leave credit for each employee would be for wages of as much as \$200 per day while the employee is receiving paid leave, or an aggregate of \$10,000.
- The sick leave credit for each employee would be for wages of as much as \$511 per day while the employee is receiving paid sick leave to care for themselves, or \$200 if the sick leave is to care for a family member or child if their school is closed. In either case, the credit is limited to 10 days of leave per qualifying employee.

Wages paid due to sick leave and family leave provisions are not subject to the employer's share of the Federal Insurance Contributions Act (FICA) tax (i.e., these payments are not considered to be wages for this purpose).

If calculated total credits are larger than the amount of the employer Social Security taxes that would have been deposited, then offset against employee federal withholding, Social Security, Medicare and employer Medicare otherwise payable.

***DM Payroll Solutions will setup earnings codes to track wages for the applicable employer FFCRA tax credits. We are working on programming our system to calculate the tax credit amount and will provide clients the opportunity to override the credit amount to meet their unique needs.***

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## Employee Retention Credit

The CARES Act establishes the Employee Retentions Credit, which is a fully refundable tax credit tied to the payment of employee wages against the employer's share of Social Security tax.

- All eligible employers would be permitted to claim a 50% credit of wages paid up to \$10,000 per employee.
- The credit is available to employers whose (1) operations were fully or partially suspended due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50% when compared to the same quarter in the prior year.
- For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances described above.
- For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order. The credit is provided for the first \$10,000 of compensation, including health benefits, paid to an eligible employee. The credit is provided for wages paid or incurred from Mar. 13, 2020, through Dec. 31, 2020.

***DM Payroll Solutions will setup earnings codes to track wages for the applicable tax credits, while providing clients the opportunity to override the credit amount if so desired. We recommend you confirm with legal counsel your approach to taking the Employee Retention Credit and its impact on your business.***

## Paid Sick Leave

Employers with fewer than 500 employees are required to provide paid sick leave to employees, both full-time and part-time, who are forced to stay home due to quarantining, or caring for a sick/quarantined family member or child if the school or place of care is closed. Outlined below are qualifying guidelines related to paid sick leave and family leave.

- The employee is subject to a federal, state or local quarantine or isolation order, has been advised by a health care provider to self-quarantine or is seeking a medical diagnosis due to experiencing COVID-19 symptoms.
- The employee is caring for an individual subject to a federal, state or local quarantine or isolation order, has been advised by a health care provider to self-quarantine or is seeking a medical diagnosis due to experiencing COVID-19 symptoms.
- The employee is required to stay home to care for a child if the child's school or place of primary care has been closed due to COVID-19.

The total hours of paid sick leave is limited to 10 days of wages. However, there is a provision that excludes certain businesses from making these payments if the viability of the business would be threatened by such actions.

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## Emergency Family Leave Act

The law creates an emergency extended paid leave program to directly respond to COVID-19. Private sector employers with fewer than 500 workers and government entities would have to provide as many as 12 weeks of job-protected leave under the Family and Medical Leave Act (FMLA) for employees who:

- Comply with a requirement or recommendation to quarantine because of exposure to or symptoms of COVID-19.
- Provide care to a family member who is complying with such a requirement or recommendation.
- Provide care for a child younger than 18 whose school or daycare has closed because of COVID-19.

The FMLA has also been amended to apply to companies of all sizes, requiring those businesses with less than 50 employees previously not subject to the act, to now provide job-protected leave if it is related to the COVID-19 virus. However, there is a provision that excludes certain businesses from making these payments if the viability of the business would be threatened by such actions.

The first two weeks of leave can be unpaid, though a worker could choose to use accrued vacation days, personal leave or other available paid leave for unpaid time off, but an employer may not require an employee to do so. Following the first two-week period, workers are required to receive a benefit from their employer that is equal to at least two-thirds of their normal pay rate.

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DM Payroll Solutions anticipates having the programming for these new elements completed next week. We will continue to monitor guidance of the latest regulations to help your company with its payroll concerns during these challenging times. If you have any questions regarding our software's capabilities to accommodate new COVID-19 compliance needs, contact our customer support team at 248.244.3293 or via email at [support@dmpayroll.com](mailto:support@dmpayroll.com).