




EY Payroll NewsFlash Workforce Tax Services

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IRS updates FAQs on COVID-19 paid leave credits to further explain coordination with retention credit and the Paycheck Protection Program

The IRS has updated its frequently asked questions ([FAQs](#)) about the tax credits available to employers who have paid qualified wages under the *Families First Coronavirus Response Act (FFCRA)*. These additional FAQs provide further clarification on the coordination between the CARES Act employee retention tax credit, the Paycheck Protection Program and the FFCRA paid leave tax credits.

Coordination of the FFCRA paid leave tax credits and the CARES Act employee retention tax credit

In FAQ 18, the IRS explains that an eligible employer can receive tax credits for qualified wages under the FFCRA and the CARES Act employee retention credit, however, they may not receive credit on the same wage payments.

Section 2301 of the CARES Act allows certain employers subject to a full or partial closure order due to COVID-19 or that is experiencing a significant decline in gross receipts a tax credit for retaining their employees. This employee retention credit is equal to 50% of qualified wages (including allocable qualified health plan expenses) paid to employees after March 12, 2020, and before January 1, 2021, up to \$10,000 in qualified wages for each employee for all calendar quarters (for a maximum credit of

\$5,000 for each employee). However, the qualified wages for the employee retention credit do not include the amount of qualified leave wages for which the employer received the FFCRA paid leave tax credits.

Coordination of the FFCRA paid leave tax credits and the Paycheck Protection Program

In FAQ 19, the IRS clarifies that an eligible employer may receive the FFCRA paid leave tax credits and receive a small business loan under the [Paycheck Protection Program](#) (PPP); however, the qualified leave wages on which the credits are claimed are not eligible as payroll costs for purposes of receiving forgiveness of the PPP loan.

In its [FAQs](#) about coordination of the PPP with the option to defer payment of the employer portion of Social Security tax, the IRS explains that if an employer accepts a PPP loan, a deferral of the employer's share of Social Security tax is not allowed for amounts otherwise due after the date the PPP loan was forgiven.

Ernst & Young LLP insights

IRS guidance concerning these COVID-19 employer programs continue to evolve. It is expected that comprehensive guidance will be available at the time the IRS issues the second quarter 2020 Form 941 to reflect fields and instructions for reporting tax credits and the Social Security tax deferral.

Contact us for more information

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