

How Dentists Can Take Advantage of the Families First Coronavirus Response Act Tax Credit

The Families First Coronavirus Response Act was passed by President Donald Trump on March 18, 2020. This act was enacted to enable employees to receive paid sick leave from April 1, 2020 to December 31, 2020 if they are impacted by the Coronavirus. Dentists who pay their employees under this act will be compensated through a tax credit as long as they qualify for the family paid sick leave.

There are a few reasons your employees may qualify for the family paid sick leave. Please note that they only apply to your practice if your practice is open. If your employees are laid off or on furlough, these provisions do not apply until your practice has reopened and you have hired back your employees. *Since many dental practices are now in the process of slowly reopening, I thought it would be very timely to provide this additional tax credit that may be available to you.*

The following would be some of the reasons one or more of your employees may qualify for the Family Paid Sick Leave program:

1. The employee is under a federal, state or local quarantine because of coronavirus. The Department of Labor rules do state that if an employee is under a stay at home order or a shelter in place order issued by their state's government that this would qualify.
2. The employee is advised by a health care provider to self-quarantine because of coronavirus.
3. The employee has symptoms of coronavirus and is waiting for a medical diagnosis.
4. The employee is caring for an individual who meets items #1 or 2.
5. The employee is caring for their child whose school or day care is closed due to coronavirus or whose care provider is unavailable due to coronavirus.
6. The employee is experiencing a scenario determined as applicable by the Secretary of Health and Human Services (HHS).

A full time employee is eligible for full pay for up to 80 hours of paid sick leave if they qualify under items 1, 2 or 3 above. Part time employees are paid based on their average number of hours worked over a 2 week period. Both full time and part time employees should receive their full pay up to \$511 per day.

If the employee is taking sick leave under items #4, 5 or 6, the employee's sick pay is capped at 2/3 pay (maximum of \$200 per day) for those 10 days. After these initial 2 weeks are paid, the employee can still collect their regular rate of pay, capped at \$200 per day, for the next 10 weeks, under the Expanded Family Medical Leave Act. The employee would meet this

requirement if they are unable to work due to a bona fide need for leave to care for their child whose school or day care provider is closed or unavailable due to coronavirus.

Please note that the Department of Labor can exempt small practices (with less than 50 employees) from paying employees under the expanded FMLA if it would jeopardize the viability of the practice. In order to exempt your practice from this requirement, you must sign and retain a copy of a declaration stating any of the following reasons:

1. The paid leave would cause the practices' expenses to exceed their revenues.
2. The absence of the employee would put the practices' operations at risk because of the employee's specialized skills, knowledge of the practice or responsibilities.
3. There are not enough employees with the skills and knowledge who are able to perform the work that the employee performs.

If you are required to pay your employees under the Families First Coronavirus Response Act, you would be eligible for a tax credit when you file your quarterly payroll tax returns on Form 941. You must notify your payroll company when paying an employee under the FMLA so that they can determine the appropriate tax credit. Be sure to provide them the applicable **reason from items 1-6 above**.

The tax credit you would receive would be equal to 100% of the qualified paid sick leave, plus the allocable health insurance expense and the employer's portion of the Medicare tax. If your cash flow permits, you should take advantage of this tax credit for any employees that it would apply to. Ultimately, the federal government is reimbursing you up to the specified amounts stated above paid to eligible employees.

Please note that you cannot claim these tax credits if you are using these paid sick leave wages as payroll for debt forgiveness under the Paycheck Protection Program (PPP). This tax credit would be most beneficial to take advantage of after the 8-week period under the PPP program have been exhausted.

If you have any questions regarding the Families First Coronavirus Response Act, please reach out to our office tax manager, Kim Riccio, who can be reached at (718)-980-9000 x19, or you can email her at kim@ventocpa.com.