

FFCRA Credits Set Up Guide

Please make sure that you are familiar with the laws that apply to FFCRA and understand your eligibility before taking advantage of any benefits they provide. You will find some basic information in this guide, as well as instructions for how to activate these benefits in your Payroll4Free.com account.

For more details, here are links you can use to learn more about these benefits:

<https://www.jdsupra.com/legalnews/consolidated-appropriations-act-expands-8470927>

<https://www.jdsupra.com/legalnews/mandatory-covid-leave-expires-but-tax-91281/>

<https://www.dol.gov/agencies/whd/pandemic/ffcra-questions>

<https://www.dol.gov/agencies/whd/pandemic>

<https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs>

<https://www.irs.gov/coronavirus>

<https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>

If you have any additional questions, please contact the corresponding agencies.

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Emergency Paid Sick Leave Act (EPSL)

If you are an eligible employer, and you have employees requesting to use EPSL, please follow the setup instructions below in order to add this functionality to your Payroll4Free.com account. Here are some key points about this benefit:

- Effective on April 1, 2020, and applies to leave taken between April 1, 2020, and December 31, 2020, **EXPANDED until March 31, 2021.**
- All employees are eligible (no waiting period).
- In 2020, required businesses to pay workers for up to 80 hours (two weeks) of paid sick leave for reasons related to the coronavirus pandemic. The 80 hours applies to full time employees only; part time employees are eligible for the number of hours that they would work on average during a two-week period. **In 2021 employers are NOT REQUIRED to offered this leave to their employees, but may elect to do so and claim the credit, but only on up to 80 total hours between April 1, 2020 and March 31, 2021.**
- Depending on the qualifying reason for the leave, the employee is entitled to either their full rate of pay (capped at \$511 per day, or \$5,110 for the 80 hours), or 2/3 of their rate (capped at \$200 per day, or \$2,000 for the 80 hours). Employees may use PTO or other accrued time off to supplement their wages during this time.
- These wages are not subject to employer Social Security tax.
- The employer will get a credit for the full amount of qualified wages paid, plus employer portion of Medicare tax, plus any related qualified health plan expenses. This credit reduces the Federal deposit that is due, and if it exceeds the required deposit amount, the difference is fully reimbursable.
- Any health plan the employee is participating in must continue to cover the employee during this leave.
- Employers with fewer than 50 employees may be exempt from providing this leave if it would jeopardize the viability of their business as a going concern.
- See page 9 for a sample employee request form that you can use as documentation for eligibility for the credit.

Setup

There are several “special” setup requirements that apply to this earning item that differ from how you would usually set up a new earning category for your employees. **Please follow these instructions carefully in order to record the wages, taxes and credits correctly in your account.**

1. **Determine which type of EPSL applies to the employee** based on their request.
 - a. If they request leave due to:
 - i. being subject to a federal, state or local quarantine or isolation order related to COVID-19,
 - ii. being advised by a healthcare provider to self-quarantine due to concerns related to COVID-19, or
 - iii. experiencing symptoms of COVID-19 and seeking a medical diagnosis, then the earning item you need to set up in their Employee Payroll Specifics is coded **EPSLF (Emergency Paid Sick Leave Full).**
 - b. If they request leave due to:

- i. caring for an individual who is subject to a quarantine or isolation order or has been advised to self-quarantine due to concerns related to COVID-19,
 - ii. caring for a son or daughter whose school or place of care has been closed, or whose child care provider is unavailable, due to COVID-19 precautions, or
 - iii. experiencing another substantially similar condition,
- then the earning item you need to set up in their Employee Payroll Specifics is coded **EPSLP (Emergency Paid Sick Leave Partial)**.

2. **Activate the predetermined item from step 1.** in your Employee's Payroll Specifics screen by double-clicking the red X next to it. Once the X turns to a green check, you will need to assign a start date to the item. This date should be the date your employee starts the leave (but no earlier than April 1, 2020).

You will also have to enter limits for this item, in order to make sure that you do not exceed the allowed maximum amount for the credit. The rate will be calculated based on your employee's regular rate.

The limit for EPSLF is \$511 per day, so if their hourly rate exceeds \$63.87, you will need to add a Check Limit. This is based on your pay frequency, **so if you pay weekly, the Check Limit should be \$2,555. If you pay will any other frequency, the check limit is \$5,110** (total limit for this credit per employee). **You also need to add a Total Limit of \$5,110.**

The limit for EPSLP is \$200 per day, so if their hourly rate exceeds \$25.00, you will need to add a Check Limit. This is based on your pay frequency, **so if you pay weekly, the Check Limit should be \$1,000. If you pay will any other frequency, the check limit is \$2,000** (total limit for this credit per employee). **You also need to add a Total Limit of \$2,000.**

3. If you also have qualified health plan expenses (QHPE) that you will claim as part of this credit, that are allocable to the employee's leave, then you will have to **activate the Qualified Health Plan Expenses benefit item** in Employee Payroll Specifics (Benefits tab), by double-clicking the red X next to it. Once the X turns to a green check, you will need to assign a start date to the item. This date should be the same start date used to set up the EPSL item. There are no limits needed for this item.
4. **Add the new FFCRA Paid Leave department (code 2020) to the employee's setup.** In the Employees menu item select the employee you wish to activate, and then click the Departments tab on the top of the screen. There, click the New button with the green plus sign, select 2020 department from the list, click OK in the window, then click Accept (with green check) at the top.

Adding EPSL Pay to Employee Check

When you are creating a paycheck for an employee who needs to be paid EPSL wages, once the details are set up in their employee profile as outlined above, you will notice that the new earning item and new department are present on the check entry screen.

ALL HOURS AND WAGES THAT THE EMPLOYEE RECEIVES FOR EPSL MUST BE RECORDED IN THE 2020 DEPARTMENT SECTION OF THE PAYCHECK. DO NOT ENTER EPSL HOURS OR WAGES IN ANY OTHER DEPARTMENT. You will see the employee's home department on top, and department 2020 under it and hidden. You will need to click on the Department name (green line) in order to expand the earning section for that department. **There, you should only enter hours and pay under the applicable EPSL category** (do NOT enter Regular or other pay under this department). All other pay needs to be entered in the employee's home department (or other applicable departments).

*****Please note that if the leave you are paying for does not cover the entire pay period, and your employee's rate is higher than the daily limit, you will need to manually calculate the wage amount to enter for the days in the pay period that apply to the leave.**

If you also need to add QHPE for the employee, please proceed to the Benefit entry by clicking 'Go To Deductions' on the bottom right of the earnings screen, then 'Go To Employer Taxes,' then 'Go To Benefits.' You can then enter the applicable health plan amount you wish to claim as a credit for the leave you are paying in the current pay period.

Emergency FMLA Expansion Act (EFMLA)

If you are an eligible employer, and you have employees requesting to use EFMLA, please follow the setup instructions below in order to add this functionality to your Payroll4Free.com account. Here are some key points about this benefit:

- Effective on April 1, 2020, and applies to leave taken between April 1, 2020, and December 31, 2020, **EXPANDED until March 31, 2021.**
- **Employee MUST be employed for at least 30 calendar days** to qualify (does not need to be full-time).
- In 2020, required employer to allow workers up to twelve weeks of leave to care for their child whose school or place of care is closed, or child care provider is unavailable, due to COVID-19 related reasons. **In 2021 employers are NOT REQUIRED to offered this leave to their employees, but may elect to do so and claim the credit, as long as it does not violate any of the employer's other FMLA or leave policies.**
- The employee is entitled to 2/3 of their regular rate (capped at \$200 per day, or \$10,000 for the 10 paid weeks). Employees may use PTO or other accrued time off to supplement their wages during this time.
- The first two weeks of this leave is unpaid (but the employee can use 80 hours of paid EPSL during this time).
- These wages are not subject to employer Social Security tax.
- The employer will get a credit for the full amount of qualified wages paid, plus employer portion of Medicare tax, plus any related qualified health plan expenses. This credit reduces the Federal deposit that is due, and if it exceeds the required deposit amount, the difference is fully reimbursable.
- The total weeks used for EFMLA count toward the 12-week annual total limit for any FMLA taken (if employee takes unpaid FMLA for other reasons).
- Employers with fewer than 50 employees may be exempt from providing this leave if it would jeopardize the viability of their business as a going concern.
- See page 9 for a sample employee request form that you can use as documentation for eligibility for the credit.

Setup

There are several “special” setup requirements that apply to this earning item that differ from how you would usually set up a new earning category for your employees. **Please follow these instructions carefully in order to record the wages, taxes and credits correctly in your account.**

1. **Activate the Emergency FMLA Expansion (EFMLA) earning item** in your Employee’s Payroll Specifics screen by double-clicking the red X next to it. Once the X turns to a green check, you will need to assign a start date to the item. This date should be the date your employee starts the leave (but no earlier than April 1, 2020).

You will also have to enter limits for this item, in order to make sure that you do not exceed the allowed maximum amount for the credit. The rate will be calculated based on your employee’s regular rate.

The limit for EFMLA is \$200 per day, so if their hourly rate exceeds \$25.00, you will need to add a Check Limit. This is based on your pay frequency, **so if you pay weekly, the Check Limit should be \$1,000, \$2,000 for biweekly, etc. If you pay will any other frequency, the check limit will depend on the number of pay days in your pay period. You also need to add a Total Limit of \$10,000.**

2. If you also have qualified health plan expenses (QHPE) that you will claim as part of this credit, that are allocable to the employee's leave, then you will have to **activate the Qualified Health Plan Expenses benefit item** in Employee Payroll Specifics (Benefits tab), by double-clicking the red X next to it. Once the X turns to a green check, you will need to assign a start date to the item. This date should be the same start date used to set up the EFMLA item. There are no limits needed for this item.
3. **Add the new FFCRA Paid Leave department (code 2020) to the employee's setup.** In the Employees menu item select the employee you wish to activate, and then click the Departments tab on the top of the screen. There, click the New button with the green plus sign, select 2020 department from the list, click OK in the window, then click Accept (with green check) at the top.

Adding EFMLA Pay to Employee Check

When you are creating a paycheck for an employee who needs to be paid EFMLA wages, once the details are set up in their employee profile as outlined above, you will notice that the new earning item and new department are present on the check entry screen.

ALL HOURS AND WAGES THAT THE EMPLOYEE RECEIVES FOR EFMLA MUST BE RECORDED IN THE 2020 DEPARTMENT SECTION OF THE PAYCHECK. DO NOT ENTER EFMLA HOURS OR WAGES IN ANY OTHER DEPARTMENT. You will see the employee's home department on top, and department 2020 under it and hidden. You will need to click on the Department name (green line) in order to expand the earning section for that department. **There, you should only enter hours and pay under the applicable EFMLA or EPSL category** (do NOT enter Regular or other pay under this department). All other pay needs to be entered in the employee's home department (or other applicable departments).

*****Please note that if the leave you are paying for does not cover the entire pay period, and your employee's rate is higher than the daily limit, you will need to manually calculate the wage amount to enter for the days in the pay period that apply to the leave, using the daily limit for those days.**

If you also need to add QHCE for the employee, please proceed to the Benefit entry by clicking 'Go To Deductions' on the bottom right of the earnings screen, then 'Go To Employer Taxes,' then 'Go To Benefits.' You can then enter the applicable health plan amount you wish to claim as a credit for the leave you are paying in the current pay period.

Employee FFCRA Sample Leave Request Form

I, _____, am unable to work or telework from ___/___/___ until
Employee Name
___/___/___ because I:

- am subject to a federal, state or local quarantine or isolation order related to COVID-19
(attach/reference pertinent order)
- have been advised by a healthcare provider, _____ to self-quarantine due
healthcare provider name
to concerns related to COVID-19
- am experiencing symptoms of COVID-19 and seeking a medical diagnosis
- am caring for an individual who is subject to a quarantine or isolation order or has been advised to self-quarantine due to concerns related to COVID-19
- am caring for a son or daughter whose school or place of care has been closed, or my child care provider is unavailable, due to COVID-19 precautions. There is no other suitable person available to care for my child. My child's name is _____. Their school/place of care/provider that is unavailable or closed is _____.
- am experiencing another substantially similar condition:

I personally attest to the need for leave as indicated above.

Employee Name *(Print)*

Date

Employee Signature

Employee Retention Tax Credit (ERTC)

If you are an eligible employer, and you wish to use ERTC, please follow the setup instructions below in order to add this functionality to your Payroll4Free.com account. Here are some key points about this benefit:

- Applies to qualified wages paid after March 12, 2020, and before January 1, 2021. **EXPANDED until June 30, 2021.**
- In 2020, the credit equals 50 percent of the qualified wages (including qualified health plan expenses) that an Eligible Employer pays in a calendar quarter. **In 2021 the credit equals 70 percent of the qualified wages (including qualified health plan expenses) that an Eligible Employer pays in a calendar quarter.**
- In 2020, the maximum amount of qualified wages per employee is \$10,000, meaning that the maximum credit that can be received is \$5,000 per employee for the year. **In 2021 the maximum amount of qualified wages per employee per quarter is \$10,000, meaning that the maximum credit that can be received is \$14,000 per employee for the year.**
- Eligible Employers for the purposes of the Employee Retention Credit are those that carry on a trade or business during calendar year 2020, including a tax-exempt organization, that either: (a) fully or partially suspends operation during any calendar quarter in 2020 due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19; or (b) experiences a significant decline in gross receipts during the calendar quarter. *****ELIGIBILITY HAS BEEN RETROACTIVELY EXPANDED - decline is gross receipts lowered from 50% to 20%.**
- Cannot be used for the same wages as EPSL, EFMLA, or WOTC (Work Opportunity Tax Credit)
- **EXPANDED - ERTC NOW ALLOWED FOR PPP LOAN RECIPIENTS (wages paid with forgiven PPP proceeds are excluded from ERTC).**

Setup

There are several “special” setup requirements that apply to this earning item that differ from how you would usually set up a new earning category for your employees. **Please follow these instructions carefully in order to record the wages, taxes and credits correctly in your account.**

1. **Activate the Employee Retention Tax Credit (ERTC) earning item** in your Employee’s Payroll Specifics screen by double-clicking the red X next to it (if not already active). Once the X turns to a green check, you will need to assign a start date to the item. This date should be the date you are eligible to start claiming this credit for the employee in 2021, so no earlier than 1/1/21. Please also add an end date of 6/30/21 (or sooner, if you lose your eligibility before the allowed period expires).

If you already had this credit active in 2020, please enter an end date of 12/31/20 in the active record, then activate a new record for 2021 as explained above.

If you did NOT have this active in 2020, but wish to reclassify 2020 wages now to use this credit, you will need to set up the credit for 2020 first, and then activate the 2021 record.

You will also have to enter limits for this item, in order to make sure that you do not exceed the allowed maximum amount for the credit. Please **add an Annual Limit of \$14,000 for 2021 and a Total Limit of \$19,000.**

For 2020 records (if using), please be sure to use an Annual Limit of \$5,000 and a Total Limit of \$19,000.

2. If you also have qualified health plan expenses (QHPE) that you will claim as part of this credit, please add them to the ERTC earning total.

Adding ERTC Pay to Employee Check

When you are creating a paycheck for an employee whose wages are eligible for ERTC, once the details are set up in their employee profile as outlined above, you will notice that this new earning is present on the check entry screen.

For 2021 Pay: You will need to split the eligible hours (or pay) for the pay period between the usual pay categories and ERTC, where 70% of hours (or pay) is entered in ERTC and the other 30% in the other categories the employee needs to be paid in (EXCEPT EPSL and EFMLA, as those wages are not applicable for this credit). **DO NOT ENTER MORE THAN 70% OF THE PAY IN ERTC.**

For 2020 Pay: You will need to split the eligible hours (or pay) for the pay period between the usual pay categories and ERTC, where 50% of hours (or pay) is entered in ERTC and the other 50% in the other categories the employee needs to be paid in (EXCEPT EPSL and EFMLA, as those wages are not applicable for this credit). **DO NOT ENTER MORE THAN 50% OF THE PAY IN ERTC.**

Claiming FFCRA Tax Credits

If you set up and record the applicable wages correctly, the Payroll4Free.com system will keep track of the credits that you are eligible to receive under FFCRA. These credits can be used to reduce or eliminate your Federal tax deposits in the quarter to which they apply. If the credit exceeds the total liability that you have, **you can request that the difference be refunded to you by using IRS form 7200.**

Here are links to form 7200 and the instructions for completing the form:

<https://www.irs.gov/pub/irs-pdf/f7200.pdf>

<https://www.irs.gov/pub/irs-pdf/i7200.pdf>

*****If you are a current Payroll Tax Services client, all credits will be applied, and any applicable refunds will be requested on your behalf by Payroll4Free.com. Please note that you are responsible for the correct setup and payment of applicable wages related to these credits.**

All wages and credits claimed will have to be reconciled on the 941 Form, starting with the 2nd quarter of 2020.