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March 31, 2020

Dear Friends, Clients & Colleagues:

On March 18, 2020, President Trump signed the Families First Coronavirus Response Act. The act contains provisions for:

- Mandatory paid family leave;
- Mandatory medical and emergency paid sick time;
- Employer tax credits for employers who must pay for mandatory paid family leave and mandatory medical and emergency paid sick time; and
- Credits for self-employed taxpayers to provide them with comparable benefits against their self-employed income.

Generally speaking, these rules apply for all businesses with fewer than 500 employees. There has been some discussion to exempt those with fewer than 50 employees, but that is uncertain at this point.

This letter focuses on the last two items in the list above: the employer and self-employed tax credits. We will be sending you a separate letter to help you understand your obligation to pay family leave and medical and emergency sick time to your employees due to the coronavirus (COVID-19).

You will be eligible to receive two payroll tax credits for wages paid to employees when you are required to pay for family leave or medical and emergency sick time. The payroll taxes that are available for retention by the employer (they don't have to be paid over to the IRS) include federal income taxes withheld from employee gross pay, as well as the employer and employee's share of Social Security and Medicare taxes. Any excess credits will be refunded after filing your quarterly payroll tax returns.

**It will be imperative for employers to maintain detailed payroll records regarding paid time off due to the coronavirus. You will need them when preparing your payroll tax returns.**

## **Mandatory paid family leave**

The employer credit for wages paid for mandatory paid family leave is equal to 100% of the wages paid to each employee, limited to \$200 per day per employee with a maximum credit of \$10,000 per employee.

## **Credit for wages paid for medical and emergency paid sick time**

The employer credit for wages paid for medical and emergency paid sick time is equal to 100% of wages paid to each employee, limited to \$511 per day for employees who are sick and \$200 per day if the employee is caring for a sick family member or a child who is at home due to a school closure. The credit for emergency paid sick time per employee is limited to 10 days in total.

If you are self-employed, you are also eligible to reduce your self-employment tax. The provisions for self-employed taxpayers are designed to mimic the provisions applicable to the employer payroll tax credits, and we will be able to compute these credits for you when we file your personal income tax return.

This law has some complexities, and we are happy to work with you to make sure you get every benefit you are entitled to. **Our firm has implemented a firm-wide social distancing policy and we are limiting in-person contact as much as possible. We request that if you have questions, to send an e-mail to [support@fischercpa.com](mailto:support@fischercpa.com).**

I wish all of you the very best in a difficult time.

Sincerely,

*Michael P. Fischer, CPA, CITP*

Michael P. Fischer, CPA, CITP

Michael P. Fischer, Certified Public Accountant