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# Federal Government Responds to Coronavirus with Tax Measures

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The federal government has enacted two tax measures to combat the financial downturn resulting from the coronavirus pandemic. The President signed into law a bill that includes a 100 percent payroll tax credit for certain employers providing COVID-19 related sick and family leave wages for employees. In addition, the IRS has issued an extension for the payment of Federal income taxes and for filing such tax returns.

## Tax Credits for Employers

The Families First Coronavirus Response Act (H.R. 6201) enacted March 18th (the “Act”) provides payroll tax credits to cover the cost of paid leave for employees. There is also a refundable credit against self-employment tax to cover self-employed individuals’ sick-leave equivalent.

Specifically, the payroll tax credit would reimburse employers for 100 percent of certain sick leave wages paid to certain employees under quarantine, self-quarantine or experiencing symptoms and seeking a medical diagnosis up to \$511 per day and up to \$200 per day for employees caring for affected family members. However, the requirement to provide paid sick leave only applies to certain employers that employ fewer than 500 employees.

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In addition, the Act provided for an expansion of the Family Medical Leave Act, and employers subject to the expansion will be able to claim a credit for qualified family leave wages paid up to \$200 per employee per day, but no more than \$10,000 in the aggregate with respect to all calendar quarters.

One concern raised with respect to the Act, is that businesses severely impacted by the virus may not benefit enough from these credits, as these businesses may need a more immediate infusion of cash.

### **Income Tax Payment Extensions**

In addition to credits for sick leave, the IRS has extended the deadline for taxpayers to file tax returns and pay income taxes without interest or penalties.

IRS Notice 2020-18 extends the deadline for filing all Federal income tax returns and paying all Federal income taxes that were initially due April 15th to July 15th including payments of estimated taxes, without a limitation on the amount of deferral. Initially, IRS Notice 2020-17 extended the deadline for payment of up to \$1 million in income tax payments for individuals and up to \$10 million in income tax payments for corporations without a corresponding extension for filing the related tax returns. But later in the week Treasury Secretary Steve Mnuchin advised in a Tweet on Friday, March 20th that, “We are moving Tax Day from April 15th to July 15th.... All taxpayers and business will have this additional time to file and make payment without interest and penalties.” This was then followed by formal guidance issued by the IRS in Notice 2020-18 which superseded Notice 2020-17, promulgated just two days earlier. Thus, Federal income tax forms and payments will now be due July 15th this year.

### **Next Steps**

Additional economic stimulus legislation is expected. It remains to be seen whether future legislation will include Federal tax relief in addition to the measures noted above.