

Paid Leave Provisions of the Family First Act

The Families First Coronavirus Response Act creates emergency paid sick leave, as well as paid family leave in the case of school closures, for working families impacted by COVID-19. **It does so by requiring employers with up to 500 employees to provide paid sick leave and paid family leave, while providing a refundable payroll tax credit to employers to cover 100 percent of the cost of wages. There is also a refundable income tax credit for self-employed individuals.**

Employers must offer two weeks (10 days) of paid sick leave for COVID-19-related reasons (existing leave offered can count towards the 10 days). If the sick leave is for an employee who is themselves sick or seeking a diagnosis, the benefit must replace all of the employee's wages up to a maximum benefit of \$511 per day. If an employee is caring for another individual who is sick, the benefit must replace at least two-thirds of the employee's wages up to a maximum benefit of \$200 per day. Our paid sick leave credit offsets 100% of employer costs for providing mandated paid sick leave. The credit also offsets, uncapped, the employer contribution for health insurance premiums for the employee for the period of leave.

Employers must offer 12 weeks of paid family leave for an employee with a minor child in the event of the closure of the child's school or place of care. The first 10 days are unpaid, but the employee can overlap this with the 10 days of paid sick leave. This benefit must replace at least two-thirds of the employee's wages up to a maximum of \$200 per day. Our paid family leave credit offsets 100% of employer costs for providing mandated paid family leave. The credit also offsets, uncapped, the employer contribution for health insurance premiums for the employee for the period of leave.

How does the refundable payroll tax work?

The refundable payroll tax credit works like this: employers that are subject to the mandates pay their employees according to the mandates' requirements. They are allowed a 100% credit against any wages they pay pursuant to the mandates. That credit is used to offset any payroll tax liability an employer has in a calendar quarter. If there is still credit leftover after the credit has been applied to the employer's payroll tax liability, the employer will receive a refund in the amount of that excess.

Are hourly workers covered?

Yes, they are covered to the extent that their employer is mandated to provide leave. For paid sick leave, full-time employees are entitled to 80 hours (or 10 days) and part-time employees are entitled to the typical number of hours that they work in a typical two-week period. For paid family leave, all employees that have been employed at least 30 days may benefit.

Do nonprofit employers benefit from the credit even though they are tax-exempt?

Yes, nonprofit employers will still benefit from the credit because it is a credit against payroll taxes, which both nonprofit and for-profit employers pay.