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Families First Coronavirus Response Act

While COVID-19 has undoubtedly had a huge impact on public health, there is an even bigger impact on the global economy. Trillions of dollars are being lost by businesses of all sizes and shapes. In the U.S., the federal government is moving to address the economic effects of this outbreak by providing relief primarily to employees of small businesses. The Families First Coronavirus Response Act has now passed through both House and Senate and has been signed into law. The following changes will be implemented within the coming 15 days:

2. The Act applies to all employers with fewer than 500 employees are covered and must provide leave. Employers with fewer than 50 employees may be exempted from the Emergency Sick Leave provisions and Employers with fewer than 25 employees may be exempted from the Emergency Family Leave provisions.

3. Emergency Sick Leave (ESL) - Employer must provide employees, regardless of tenure with employer, 10 days paid sick leave if the employee is: (1) subject to a coronavirus quarantine or isolation order (2) has been instructed by a health care provider to self-quarantine due to coronavirus concerns; (3) experiencing symptoms of the virus and is seeking medical diagnosis therefor; (4) caring for an individual described within (1) or (2); or (5) caring for a child who no longer has access to their school or child care provider due to coronavirus precautions.

4. ESL paid leave compensation - Employer is to provide employee 80 hours paid leave if employee is full-time or leave commensurate with the average hours worked in a two week period if part time. If the employee is taking time off for reasons (1) through (3) listed in paragraph 3, they are to be paid their full standard pay and if employee is taking time off for reasons (4) or (5), they are to be paid the equivalent of 2/3 of their standard pay. ESL paid leave is capped at \$511 per day for afflicted employees or \$200 per day for employees caring for others.

5. Emergency Family Leave (EFL) - Employer must provide employees 12 weeks of EFL to any employee who has at least 30 days tenure with employer and who is unable to work/telework because they must care for a minor child who no longer has access to their school or child care provider due to the school/child care provider being CLOSED as a result of coronavirus. The first 10 days of this leave will be unpaid (but likely covered by ESL) and the remaining 10 weeks will be paid at a rate of at least 2/3 of the employee's normal pay rate, capped at \$200/day and \$10k total.

4. All wages paid will NOT be subject to OASDI payroll tax, the 6.2% employer portion of the Social Security tax. This is one benefit to the employer to reduce the burden of this government-mandated leave.

5. EMPLOYER TAX CREDITS - Employers who pay out ESL or EFL will be eligible to receive a refundable credit for the OASDI employer-paid portion of the Social Security taxes paid by the Employer. The refund may be for an amount up to the total wages paid to employees for ESL or EFL.

Despite the tax credits and social security tax relief built in, these provisions are expected to put a heavy burden on employers. To address that issue, the Small Business Administration is offering low interest loans (3.75%) of up to \$2M to businesses of all sizes to weather the storm. These are loans, not grants, so they will need to be paid back, but they may provide the necessary capital to get through the next few months. Part of the proposed stimulus 'phase 3' *may* include potential SBA grants, but 'phase 3' has not made it past the theoretical stage, so such grants should not be factored into your decisions regarding employees.

This is a very simplified summary of the newly-signed act. If you have specific questions or want to discuss scenarios related to your specific business, please contact Phocus Law. www.PhocusCompanies.com/law. 602-457-2191