



COVID-19: Payroll Credits and Form 7200

Payroll companies have begun the process of contacting practices about preparing Form 7200 to get an advance on one of the payroll tax credits/deferrals listed below. Form 7200 will be necessary for some practices and we highly recommend using your payroll company to prepare the form **if it applies**. However, your practice should only be filing form 7200 if you are eligible for one of the acceptable uses and we encourage you to thoroughly review the information they send you. Below is a breakdown of the potential uses.

Families First Coronavirus Response Act (FFCRA) Credits

These credits relate to an employee that takes a qualified paid leave. The DOL has stated that qualified leave does not include when the practice doesn't have hours for the employee, such as during a shutdown.

Qualifying leave applies when the employee...

1. Is subject to a Federal, State, or local quarantine or isolation order related to COVID-19;
2. Has been advised by a health care provider to self-quarantine related to COVID-19;
3. Is experiencing COVID-19 symptoms and is seeking a medical diagnosis;
4. Is caring for an individual subject to an order described in (1) or self-quarantine as described in (2);
5. Is caring for his or her child whose school or place of care is closed (or child care provider is unavailable) due to COVID-19 related reasons; or
6. Is experiencing any other substantially-similar condition specified by the U.S. Department of Health and Human Services.

There are limitations on the duration and amount of the credit including that the employer can't take this credit if the employee is using otherwise earned sick or vacation pay. If it isn't economically viable for a practice with less than 50 employees to offer the leave, the employer also isn't eligible for the credit. We recommend consulting with an employment attorney before claiming this credit or claiming the exemption to offering paid leave. Although this credit may be taken if

you have a PPP loan, you may not use PPP loan proceeds for this purpose. We expect the most common use of this leave will be when a practice reopens and an employee requests leave due to having a child whose school or place of childcare is closed. If the employee is currently furloughed, it is unlikely the employee is able to request leave and as a result the practice is unlikely to be able to claim a credit.

Employee Retention Tax Credit

This credit covers 50% of wages, up to \$5,000 per employee, if the practice is closed, partially closed, or experiencing significant revenue loss as a result of the COVID-19 crisis. Eligibility typically begins when business is partially suspended by government order due to COVID-19 or when collections decline by more than 50% in a quarter compared to the same quarter in 2019. Eligibility ends when gross receipts in a calendar quarter exceed 80% compared to the prior year. **A practice may not claim the retention credit if it receives a PPP loan.** However there is a special exception that if the PPP loan is repaid by 5/14 and no forgiveness is taken, then the practice may claim the retention credit. The retention credit is a good alternative to the PPP loan if the practice will not be eligible for much forgiveness on the PPP loan.

Employer Social Security Tax Deferral Election

This program allows a practice to defer the employer portion of Social Security taxes until 12/31/20 and then remit 50% of the taxes 12/31/21 and the remainder 12/31/22. Essentially it is an interest free loan equal to the employer portion of Social Security taxes. We do not recommend utilizing this program because the practice will have balloon payments due on 12/31/21 and 12/31/22. We believe there are other sources of funding available that will not have such an impact on cash flow at those times. **This program is not available once you receive PPP loan forgiveness.**

More information about these credits can be found at:

<https://www.irs.gov/newsroom/irs-three-new-credits-are-available-to-many-businesses-hit-by-covid-19>

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