

Form 941 Covid-19 Related Tax Credits

Background

Shortly after the Covid-19 wage tax credits were passed by Congress, Datatech provided a method to set up wage types to track wages paid that could be taken as a credit.

The procedures recommended would allow you to track these wage tax credits. However, the software does not determine the eligibility of employees to receive these credits. Nor does it track any limits on wages paid using the Covid-19 wage type. If there are limits on the rate of pay, weekly totals, or number of hours, you must observe those limits when categorizing the wages under the Covid-19 wage type.

Federal Form 941 has two categories of Covid-19 wage types that need separate totals. These are:

- 1. Line 5a (i), Qualified Sick Leave Wages**
 - 2. Line 5a (ii), Qualified Family Leave Wages**
- (See reference that follows regarding definitions.)

Best Practice

Best practice for setup in Datatech software is to have a separate wage type for each type. For Farm and Farm Labor cost accounting, you can also use the same wage type but a different Job ID.

The new 941 form also provides for taking credits for wages paid under the Employee Retention Credit provisions. The program does not track these wages, but if you have paid wages under this provision, and you have used a wage type specifically set up for it, you can get a report of those wages using the Labor Analysis Report.

Nonrefundable vs. Refundable Credits

Any credits up to the amount of the Employer Social Security tax portion will be counted as a Nonrefundable credit. This amount will be applied to the Total Amount of Taxes Due.

Any credits due over the amount of Employer Social Security will be applied as credits/payments to the Total Taxes Due.

We will discuss this in the instructions below.

Completing Form 941

The new 941 form is more complicated due to the breakdown of the Covid-

19 wages as well as the tax credits you need to calculate. We have provided all of the entries needed for the form, but we cannot provide advice on how to fill it out. The IRS has a publication to assist you with this. That publication provides a worksheet for calculating the wage credits, which include the wages paid, any prorated health insurance benefits you paid, and the Medicare tax.

In order to determine the qualified wages, the program must know what wage types you have used for the Qualified Sick Leave and Qualified Family Leave. The program uses the information in the Sick Leave table to figure this out when you click on the Verify button. If it cannot, you can enter the wage types that you have set up.

If you have not set up any wage types for the leave wages paid, the program cannot calculate the total wages. You will need to do this yourself, and then edit the 941 form lines 5a (i) and 5a (ii) to adjust the totals.

What the program does:

If you have used specific wage types for the Covid-19 leave payments, the program will calculate these totals for lines 5a (i) and 5a (ii). They are listed separately from other social security wages on these lines because they are not subject to the employer portion of social security.

What the program does not do:

You must take the total Covid-19 leave wages on lines 5a (i) and 5a (ii), and transfer to Worksheet 1. They will be combined with the employer portion of Medicare (calculated on the worksheet) and the employer's portion of any health insurance benefits for the time the employees were on leave (you must calculate the health insurance credit).

You will then take the total of the non-refundable credits and enter that total on line 11b of the 941, and any refundable credits on line 13c.

Questions

If you need assistance with the worksheet, please contact your accountant. Datatech support personnel cannot assist with this worksheet, or any other data that is required on Form 941 that you need to compile separately.

If you have any questions about what wages are allowed for the Covid-19 leave or the employee retention credit, please consult the IRS web site for more details, or contact your accountant. We cannot provide accounting or legal advice.

Specific Instructions

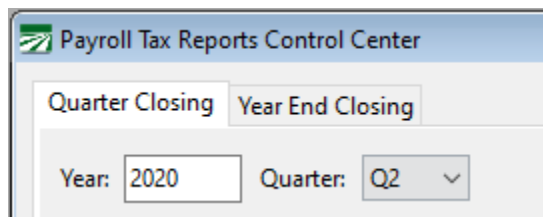
As noted above, the IRS provides a step-by-step guide to completing the 941

form.

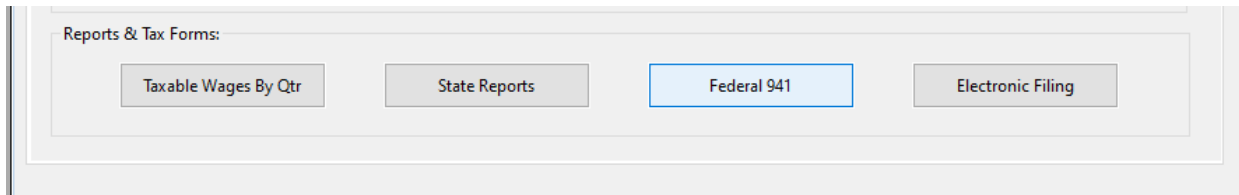
In completing this form in our program, you must take some additional steps. The screens have been changed to reflect each entry on the new form, but there will be entries that you may skip.

Note: We recommend opening the 941 from the Payroll Tax Reports Control Center. Only use the old form if you need to *reprint* a prior quarter.

Go to **Payroll > Payroll Tax Reports Control Center**. To start, select the Year and Quarter from the top of the Quarter Closing tab:



Then click Federal 941.



If you are running the 941 for a previous quarter, the software will change the entry form to the prior format. For 2020 quarters 2, 3, and 4 the new format will appear:

Print Form 941

Form 941 Form 941(CONT) Schedule B

COVID Wage Types

STEP 1
 Click VERIFY to view the COVID wage types.
 If changes are needed, exit this screen and make necessary changes.

VERIFY

STEP 2 Quarter to Print: Q2
 Year to Print: 2020
 Ending Date of Quarter: 06/30/2020

List Payments
 Calculate Totals

Wages & Taxes:

STEP 3

1. Number of Employees:	2	
2. Wages, tips, and other compensation:	8418.40	
3. Total income tax withheld:	374.13	
5a. Taxable SS Wages:	7818.40	969.48
5a. (i) Qualified sick leave wages:	600.00	37.20
5a. (ii) Qualified family leave wages:	0.00	0.00
5b. Taxable SS Tips:	0.00	0.00
5c. Taxable Med Wages, Tips:	8418.40	244.13
5d. Addl Medicare Tax W/H:	0.00	0.00
5e. Total social security and Medicare Taxes:	1250.81	
5f. Sec. 3121(q) Notice-Tax due on unreported tips:	0.00	
6. Total taxes before adjustments:	1624.94	
7. Current quarter's fraction of cents:	0.00	
8. Current quarter's sick pay:	0.00	
9. Current quarter's adj for tips & gtl:	0.00	
Total Adjustments:	0.00	
10. Total taxes after adjustments:	1624.94	

Payments:

STEP 4

10. Total taxes after all adjustments:	1624.94
11a. Qualified S.B. Payroll Tax Credit:	0.00
11b. Nonrefundable portion of credit for sick and family leave:	484.74
11c. Nonrefundable portion of employee retention credit:	0.00
11d. Total nonrefundable credits:	484.74
12. Total Taxes After Adj and Credits:	1140.20
13a. Total deposits for quarter, incl overpayments:	1624.94
13b. Deferred amount of the employer share of social security tax:	0.00
13c. Refundable portion of credit for sick and family leave wages:	123.96
13d. Refundable portion of employee retention credit:	0.00
13e. Total deposits, deferrals, and refundable credits:	1748.90
13f. Total advances received from filing Form(s) 7200 for the quarter:	0.00
13g. Total deposits, deferrals, and refundable credits less advances:	1748.90
14. Balance due:	0.00
15. Overpayment:	608.70

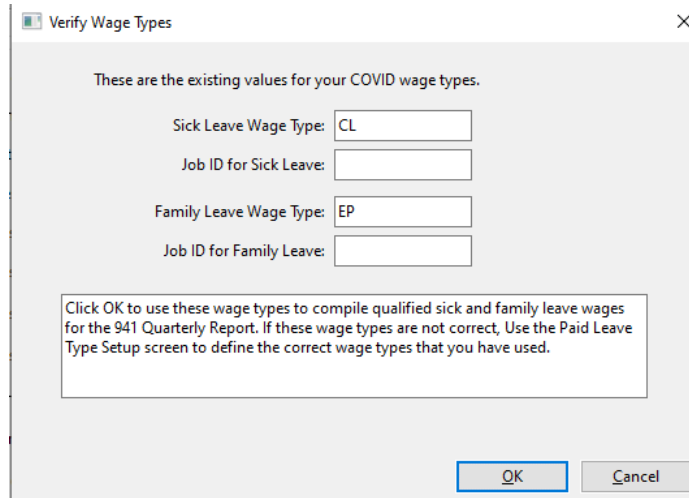
Apply to next return Refunded

CONTINUE -->

Step 1

Click VERIFY to check on your wage types for Covid-19 Qualified Sick Leave and Qualified Family Leave wages.

If you do not have any qualified wages, you can click OK and proceed to Step 2.



Verify Wage Types

These are the existing values for your COVID wage types.

Sick Leave Wage Type:

Job ID for Sick Leave:

Family Leave Wage Type:

Job ID for Family Leave:

Click OK to use these wage types to compile qualified sick and family leave wages for the 941 Quarterly Report. If these wage types are not correct, Use the Paid Leave Type Setup screen to define the correct wage types that you have used.

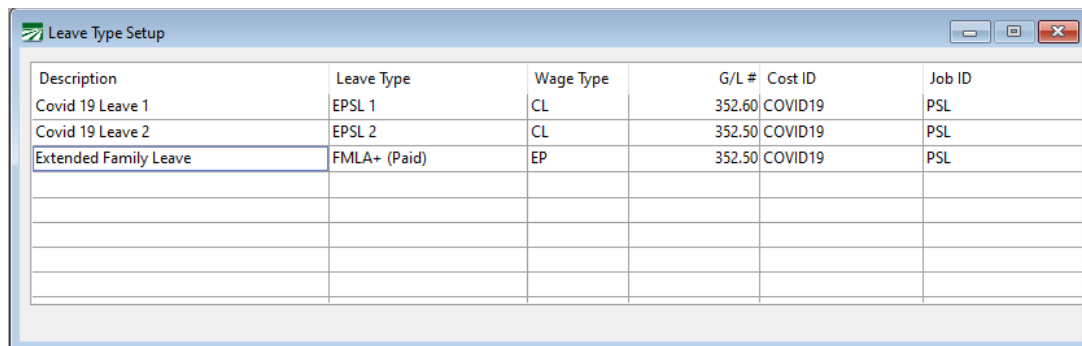
OK Cancel

What will the program display?

- If you have previously defined Covid-19 Leave Wage Types, the software will display them here.
- If you defined different Wage Types for Sick Leave and Family Leave, the program will only display the Wage Types.
- If you used the same Wage Type but different Jobs, then the program will display the Job ID's.

Note: This window is just a review of the codes already set up. You cannot edit from this window.

If you have set up Covid-19 Wage Types, but they are not displayed, go to Payroll > Setup > Paid Leave Type Setup. See <https://datatechag.com/initial-setup-for-covid-19-paid-leave-wages/> for more details on this setup.



Description	Leave Type	Wage Type	G/L #	Cost ID	Job ID
Covid 19 Leave 1	EPSL 1	CL	352.60	COVID19	PSL
Covid 19 Leave 2	EPSL 2	CL	352.50	COVID19	PSL
Extended Family Leave	FMLA+ (Paid)	EP	352.50	COVID19	PSL

Once the wage types used for Covid Leave have been set up, return to the 941 form and click Verify again to make sure the wage types are displayed.

If you did not use a unique Wage Type for the Covid-19 leave, you may manually enter this information directly on the 941 form. See Step 3 below.

Step 2

Select the quarter and year to print, and then click Calculate Totals.

STEP 2 Quarter to Print: Year to Print: Ending Date of Quarter:

The form will auto-complete based on the Archived Quarter Totals.

Step 3 – Wages & Taxes

Wages & Taxes:

STEP 3

1. Number of Employees:	<input type="text" value="2"/>	
2. Wages, tips, and other compensation:	<input type="text" value="8418.40"/>	
3. Total income tax withheld:	<input type="text" value="374.13"/>	
5a. Taxable SS Wages:	<input type="text" value="7818.40"/>	<input type="text" value="969.48"/>
5a.(i) Qualified sick leave wages:	<input type="text" value="600.00"/>	<input type="text" value="37.20"/>
5a. (ii) Qualified family leave wages:	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>
5b. Taxable SS Tips:	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>
5c. Taxable Med Wages, Tips:	<input type="text" value="8418.40"/>	<input type="text" value="244.13"/>
5d. Addl Medicare Tax W/H:	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>
5e. Total social security and Medicare Taxes:	<input type="text" value="1250.81"/>	
5f. Sec. 3121(q) Notice-Tax due on unreported tips:	<input type="text" value="0.00"/>	
6. Total taxes before adjustments:	<input type="text" value="1624.94"/>	
7. Current quarter's fraction of cents:	<input type="text" value="0.00"/>	
8. Current quarter's sick pay:	<input type="text" value="0.00"/>	
9. Current quarter's adj for tips & gtl:	<input type="text" value="0.00"/>	
Total Adjustments:	<input type="text" value="0.00"/>	
10. Total taxes after adjustments:	<input type="text" value="1624.94"/>	

Lines 5a (i) or 5a (ii)

If you have qualified wages, but you did not use a unique wage type to

identify them, you can edit 5a (i) or 5a (ii) column 1 to reflect those wages. When you do, box 5a column 1 will automatically be adjusted.

If you have qualified wages or employee retention credits, complete Worksheet 1 so that you can make entries in boxes 11b and/or 11c.

Lines 5(f) through 10

See Form 941 for instructions on these lines and enter amounts as applicable.

Line 7 Current Quarter's Fraction of Cents

Enter any adjustment to the total tax due for rounding differences. To reduce the tax due, enter the adjustment with a minus (-) sign.

Step 4 - Payments

Payments:

STEP 4	10.Total taxes after all adjustments:	1624.94
	11a.Qualified S.B. Payroll Tax Credit:	0.00
	11b.Nonrefundable portion of credit for sick and family leave:	484.74
	11c.Nonrefundable portion of employee retention credit:	0.00
	11d.Total nonrefundable credits:	484.74
	12. Total Taxes After Adj and Credits:	1140.20
	13a.Total deposits for quarter, incl overpayments:	1624.94
	13b.Deferred amount of the employer share of social security tax:	0.00
	13c.Refundable portion of credit for sick and family leave wages:	123.96
	13d.Refundable portion of employee retention credit:	0.00
	13e.Total deposits, deferrals, and refundable credits:	1748.90
	13f.Total advances received from filing Form(s) 7200 for the quarter:	0.00
	13g.Total deposits, deferrals, and refundable credits less advances:	1748.90
	14.Balance due:	0.00
	15.Overpayment:	608.70
	<input type="checkbox"/> Apply to next return	<input checked="" type="checkbox"/> Refunded

CONTINUE -->

11(b) & 11(c) / 13(c)

If you have Covid Leave Wages entered in 5(i) or 5(ii) go to <https://www.irs.gov/pub/irs-pdf/i941.pdf> to print the ***Credit for Qualified Sick and Family Leave Wages and the Employee Retention Credit*** (page 14).

Follow the worksheet instructions to calculate the applicable credits. Step 1 of the worksheet calculates the employer share of social security tax. Step 2 calculates the credit for qualified sick and family leave, including employer share of Medicare and qualified health plan expenses allocated to the sick leave wages.

The amount of nonrefundable credit (worksheet line 2(j)) is the smaller amount of the employer share of social security or the qualified sick and family leave wages. This is entered in 11(b) on the 941 form.

If you had more qualified wages than employer social security, the difference (worksheet line 2(k)) this refundable portion is entered on line 13(c) of the 941 form.

Worksheet 1. Credit for Qualified Sick and Family Leave Wages and the Employee Retention Credit

Keep for Your Records 

Determine how you will complete this worksheet

If you paid both qualified sick and family leave wages and qualified wages for purposes of the employee retention credit this quarter, complete Step 1, Step 2, and Step 3. If you paid qualified sick and family leave wages this quarter but you didn't pay any qualified wages for purposes of the employee retention credit this quarter, complete Step 1 and Step 2. If you paid qualified wages for purposes of the employee retention credit this quarter but you didn't pay any qualified sick and family leave wages this quarter, complete Step 1 and Step 3.

Step 1. Determine the employer share of social security tax this quarter after it is reduced by any credit claimed on Form 8974 and any credit to be claimed on Form 5884-C

1a	Enter the amount of social security tax from Form 941, Part 1, line 5a, column 2	1a	<u>969.48</u>
1b	Enter the amount of social security tax from Form 941, Part 1, line 5b, column 2	1b	<u>0</u>
1c	Add lines 1a and 1b	1c	<u>969.48</u>
1d	Multiply line 1c by 50% (0.50)	1d	<u>484.74</u>
1e	If you're a third-party payer of sick pay that isn't an agent and you're claiming credits for amounts paid to your employees, enter the employer share of social security tax included on Form 941, Part 1, line 8 (enter as a positive number)	1e	<u>0</u>
1f	Subtract line 1e from line 1d	1f	<u>484.74</u>
1g	If you received a Section 3121 (q) Notice and Demand during the quarter, enter the amount of the employer share of social security tax from the notice	1g	<u>0</u>
1h	Employer share of social security tax. Add lines 1f and 1g	1h	<u>484.74</u>
1i	Enter the amount from Form 941, Part 1, line 11a (credit from Form 8974)	1i	<u>0</u>
1j	Enter the amount to be claimed on Form 5884-C, line 11, for this quarter	1j	<u>0</u>
1k	Total nonrefundable credits already used against the employer share of social security tax. Add lines 1i and 1j	1k	<u>0</u>
1l	Employer share of social security tax remaining. Subtract line 1k from line 1h	1l	<u>484.74</u>

Step 2. Figure the sick and family leave credit

2a	Qualified sick leave wages reported on Form 941, Part 1, line 5a(i), column 1	2a	<u>600.00</u>
2a(i)	Qualified sick leave wages included on Form 941, Part 1, line 5c, but not included on Form 941, Part 1, line 5a(i), column 1, because the wages reported on that line were limited by the social security wage base	2a(i)	<u>0</u>
2a(ii)	Total qualified sick leave wages. Add lines 2a and 2a(i)	2a(ii)	<u>600.00</u>
2b	Qualified health plan expenses allocable to qualified sick leave wages (Form 941, Part 3, line 19)	2b	<u>0</u>
2c	Employer share of Medicare tax on qualified sick leave wages. Multiply line 2a(ii) by 1.45% (0.0145)	2c	<u>8.70</u>
2d	Credit for qualified sick leave wages. Add lines 2a(ii), 2b, and 2c	2d	<u>608.70</u>
2e	Qualified family leave wages reported on Form 941, Part 1, line 5a(ii), column 1	2e	<u>0</u>
2e(i)	Qualified family leave wages included on Form 941, Part 1, line 5c, but not included on Form 941, Part 1, line 5a(ii), column 1, because the wages reported on that line were limited by the social security wage base	2e(i)	<u>0</u>
2e(ii)	Total qualified family leave wages. Add lines 2e and 2e(i)	2e(ii)	<u>0</u>
2f	Qualified health plan expenses allocable to qualified family leave wages (Form 941, Part 3, line 20)	2f	<u>0</u>
2g	Employer share of Medicare tax on qualified family leave wages. Multiply line 2e(ii) by 1.45% (0.0145)	2g	<u>0</u>
2h	Credit for qualified family leave wages. Add lines 2e(ii), 2f, and 2g	2h	<u>0</u>
2i	Credit for qualified sick and family leave wages. Add lines 2d and 2h	2i	<u>608.70</u>
2j	Nonrefundable portion of credit for qualified sick and family leave wages. Enter the smaller of line 1l or line 2i. Enter this amount on Form 941, Part 1, line 11b	2j	<u>484.74</u>
2k	Refundable portion of credit for qualified sick and family leave wages. Subtract line 2j from line 2i and enter this amount on Form 941, Part 1, line 13c	2k	<u>123.96</u>

Step 3. Figure the employee retention credit

3a	Qualified wages (excluding qualified health plan expenses) for the employee retention credit (Form 941, Part 3, line 21)	3a	_____
3b	Qualified health plan expenses allocable to qualified wages for the employee retention credit (Form 941, Part 3, line 22)	3b	_____
3c	Qualified wages (excluding qualified health plan expenses) paid March 13, 2020, through March 31, 2020, for the employee retention credit (Form 941, Part 3, line 24). Enter an amount here only for the second quarter Form 941	3c	_____
3d	Qualified health plan expenses allocable to qualified wages paid March 13, 2020, through March 31, 2020, for the employee retention credit (Form 941, Part 3, line 25). Enter an amount here only for the second quarter Form 941	3d	_____
3e	Add lines 3a, 3b, 3c, and 3d	3e	_____
3f	Retention credit. Multiply line 3e by 50% (0.50)	3f	_____
3g	Enter the amount of the employer share of social security tax from Step 1, line 1l	3g	_____
3h	Enter the amount of the nonrefundable portion of the credit for qualified sick and family leave wages from Step 2, line 2j	3h	_____
3i	Subtract line 3h from line 3g	3i	_____
3j	Nonrefundable portion of employee retention credit. Enter the smaller of line 3f or line 3i. Enter this amount on Form 941, Part 1, line 11c	3j	_____
3k	Refundable portion of employee retention credit. Subtract line 3j from line 3f and enter this amount on Form 941, Part 1, line 13d	3k	_____

Caution:
Only complete lines 3c and 3d for your second quarter 2020 Form 941.

13(a)

Enter the total tax deposits you have made for this quarter. If you have an overpayment from the previous quarter, include that amount. If you enter tax payments in your Datatech software, you can get a list of tax deposits by click on the List Payments button in the Step 2 box. Be sure to include only payments for Form 941.

Click Continue when you have finished Step 3.

941 (CONT)

Step 5 – Part 2

Part 2:	
State Where Deposits Were Made:	CA
Type of Depositor:	
<input type="radio"/> Line 12 is less than \$2500	
<input checked="" type="radio"/> You were a monthly schedule depositor	
<input type="radio"/> You were a semiweekly schedule depositor	
<input type="button" value="Update Tax Liability"/>	<input type="button" value="Adjust Tax Liability"/>
Tax Liability by Month:	
Month 1:	479.88
Month 2:	0.00
Month 3:	660.32
Total:	1140.20

On the Form 941 (CONT) tab, select type of depositor, and then click Update Tax Liability.

Note: If you must fill in boxes 11b and/or 11c, do so as needed **before** you use the Update Tax Liability Button.

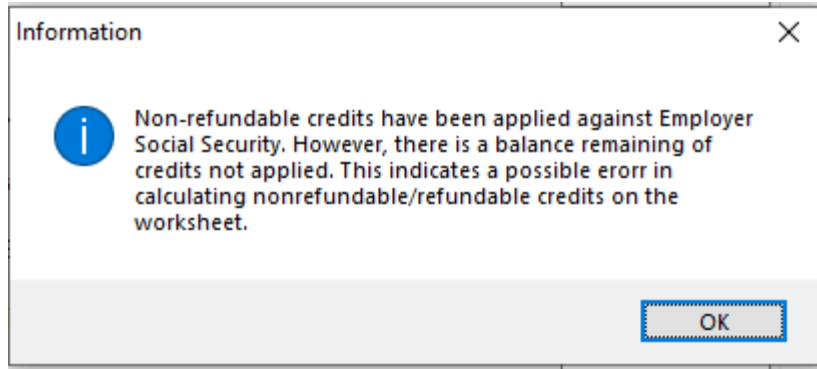
When you click **Update Tax Liability**, a pop-up will display the Nonrefundable Tax Credits. If these amounts are not correct, click Edit Credits and return to Step 3 to adjust credits.

Verify Nonrefundable Wage Credits	
11a. Research Credit:	0.00
11b. Sick/Family Leave Credit:	484.74
11c. Retention Credit:	0.00

If the nonrefundable credit amounts shown above have been correctly entered on the 941 form, click 'OK to Proceed' to apply these credits against your tax liability by day. If the credits are not correct, click 'Edit Credits', then finish the 941 form and Use the Update Tax Liability button again to complete the Schedule B for printing.

The program will apply the amount of the credits against your tax liability by day or month.

You may still need to use Adjust Tax Liability button for rounding differences. After performing the Tax Liability Update, if the balances do not agree, you will get this message and should go back to Step 3 to review your credits:



When complete, the adjusted Tax Liability must match Line 12 – Total Taxes After Adj. and Credits:

Tax Liability by Month:	
Month 1:	479.88
Month 2:	0.00
Month 3:	660.32
Total:	1140.20

10.Total taxes after all adjustments:	1624.94
11a.Qualified S.B. Payroll Tax Credit:	0.00
11b.Nonrefundable portion of credit for sick and family leave:	484.74
11c.Nonrefundable portion of employee retention credit:	0.00
11d.Total nonrefundable credits:	484.74
12. Total Taxes After Adj and Credits:	1140.20

If you are a semiweekly depositor, you must print the 941 Schedule B form. Instructions for this form are below.

Step 6 – Part 3

Part 3:

Business Has Closed Date Closed: / / ...

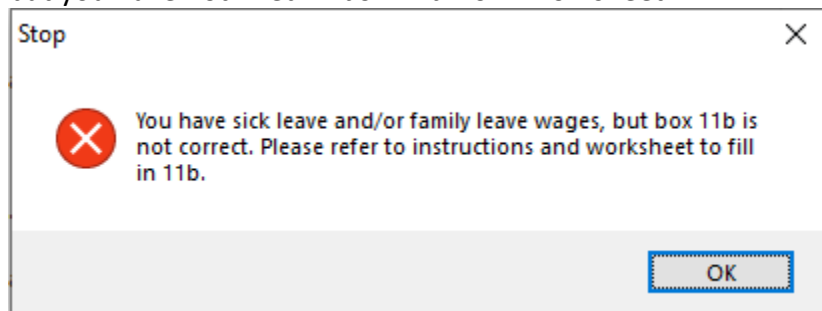
Seasonal Employer

STEP 6

19. Qualified health plan expenses allocable to qualified sick leave wages:	0.00
20. Qualified health plan expenses allocable to qualified family leave wages:	0.00
21. Qualified wages for the employee retention credit:	0.00
22. Qualified health plan expenses allocable to wages reported on line 21:	0.00
23. Credit from Form 5884-C, line 11, for this quarter:	0.00
24. Qualified wages paid 03/13-03/31/2020, for employee retention credit:	0.00
25. Qualified health plan expenses allocable to wages reported on line 24:	0.00

Lines 19 through 25 are not calculated on the form, but are used when you fill out Worksheet 1.

The program will warn you and not print the 941 if you have qualified wages but you have not filled in box 11b from Worksheet 1.



Step 7 – 941 Part 4

Part 4:

Contact 3rd Party Designee

STEP 7

Designee's Name: _____

Telephone #: _____

Personal ID #: _____ Print Paid Preparer Information Paid Preparer Info

Fill in this section if you want to designate an employee or other person to discuss the return with the IRS.

If you are a Paid Preparer, select **Print Paid Preparer Information** and click Paid Preparer Info to enter your information.

Form 941 Schedule B

This form must be filed along with the Form 941 if you are a semiweekly depositor. It is a day-by-day record of your tax liability.

To view the liability data, click on the Schedule B tab page. It will look similar to this screen:

Month 1	Month 2	Month 3	
1: 0.00	9: 0.00	17: 0.00	25: 118.74
2: 0.00	10: 0.00	18: 0.00	26: 0.00
3: 0.00	11: 0.00	19: 162.85	27: 0.00
4: 150.24	12: 0.00	20: 0.00	28: 0.00
5: 0.00	13: 0.00	21: 0.00	29: 0.00
6: 0.00	14: 0.00	22: 0.00	30: 0.00
7: 0.00	15: 0.00	23: 228.49	31: 0.00
8: 0.00	16: 0.00	24: 0.00	
Month 3 Total:			660.32
Report Total:			1140.20

If the total tax liability on Schedule B does not equal line 12, you can adjust the last tax liability amount for the quarter by using the Adjust Tax Liability button on the Form 941 tab.

Usually there will be a small rounding difference, but if it is a larger amount, you may need to investigate the reason for the difference before completing the return.

If the above screen does not have any tax liability amounts, that is an indication that you need to print click on the Update Tax Liability button to compile liability totals.

Once you have verified the liability amounts and adjusted to Line 12 of Form 941, you can print the schedule.

Additional Information

How to Verify Covid-19 Sick & Family Leave Wages?

You can use the Labor Analysis Report to get sick and family leave wage totals. Select by using quarter start and end dates, wage type, Job ID if applicable, and on the employee selections screen, Regular employees for the 941.

Links to Instructions

Form 941 Instructions: <https://www.irs.gov/pub/irs-pdf/i941.pdf>

Form 941b Instructions: <https://www.irs.gov/pub/irs-pdf/i941sb.pdf>

References:

From the IRS Website

20. What is included in “qualified sick leave wages”?

Qualified sick leave wages are wages (as defined in section 3121(a) of the Internal Revenue Code for social security and Medicare tax purposes) that Eligible Employers must pay eligible employees for periods of leave during which they are unable to work or telework because the employee:

- 1) is subject to a Federal, State, or local quarantine or isolation order related to COVID-19-19;
- 2) has been advised by a health care provider to self-quarantine due to concerns related to COVID-19-19;
- 3) is experiencing symptoms of COVID-19-19 and seeking a medical diagnosis;
- 4) is caring for an individual who is subject to a Federal, State, or local quarantine or isolation order related to COVID-19-19, or has been advised by a health care provider to self-quarantine due to concerns related to COVID-19-19;
- 5) is caring for a child of such employee if the school or place of care of the child has been closed, or the child care provider of such child is unavailable due to COVID-19-19 precautions; or
- 6) is experiencing any other substantially similar condition specified by the Secretary of Health and Human Services in consultation with the Secretary of the Treasury and the Secretary of Labor.

25. What is included in “qualified family leave wages”?

Qualified family leave wages are wages (as defined in section 3121(a) of the Internal Revenue Code for social security and Medicare tax purposes) that Eligible Employers must pay eligible employees for periods of leave during which they are unable to

work or telework due to a need for leave to care for a child of such employee if the child's school or place of care has been closed, or because the child care provider of the child is unavailable, due to COVID-19 related reasons. The first ten days for which an employee takes leave for this reason may be unpaid. However, during that 10-day period, an employee may be entitled to receive qualified sick leave wages as provided under the ESPLA or may receive other forms of paid leave, such as accrued sick leave, annual leave, or other paid time off under the Eligible Employer's policy. After an employee takes leave for ten days, the Eligible Employer must provide the employee with qualified family leave wages for up to ten weeks.

For more information, see the Department of Labor's [Families First Coronavirus Response Act: Questions and Answers](#).

72. How does an Eligible Employer claim the Employee Retention Credit for qualified wages?

Eligible Employers will report their total qualified wages for purposes of the Employee Retention Credit for each calendar quarter on their federal employment tax returns, usually Form 941, Employer's Quarterly Federal Tax Return. Employers also report any qualified sick leave and qualified family leave wages for which they are entitled to a credit under FFCRA on Form 941. The Form 941 is used to report income and social security and Medicare taxes withheld by the employer from employee wages, as well as the employer's share of social security and Medicare tax.

In anticipation of receiving the Employee Retention Credit, Eligible Employers can fund qualified wages by: (1) accessing federal employment taxes, including withheld taxes that are required to be deposited with the IRS, and (2) requesting an advance of the credit from the IRS for the amount of the credit that is not funded by accessing the federal employment tax deposits, by filing [Form 7200, Advance Payment of Employer Credits Due to COVID-19](#).

For more information, see [Deferral of employment tax deposits and payments through December 31, 2020](#).

The IRS recently posted Frequently Asked Questions addressing the employer's ability to defer the deposit of all of the employer's share of social security taxes due before January 1, 2021 under section 2302 of the CARES Act and reduce other employment taxes required to be deposited in an amount equal to the FFCRA sick leave and family leave credits and the Employee Retention Credit.

Example: Employer E paid \$10,000 in qualified wages (including qualified health plan expenses) and, after deferral of the employer's share of social security tax, is otherwise required to deposit \$8,000 in federal employment taxes for all of its employees for wage payments made during the same quarter as the \$10,000 in qualified wages. Employer E has no paid sick or family leave credits under the FFCRA. Employer E may keep up to \$5,000 of the \$8,000 of taxes Employer E was going to deposit, and it will not owe a penalty for keeping the \$5,000. Employer E will later account for the \$5,000 it retained when it files Form 941, Employer's Quarterly Federal Tax Return, for the quarter.