Reinhart

How to Claim COVID-19-Related Payroll Tax Credits

The Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provide eligible employers payroll tax relief through the following credits (the Credits):

- **Paid Leave Credit**: A credit of up to 100 percent of qualifying paid sick leave wages (including health plan expenses, and the employer portion of Medicare tax) paid April 1, 2020 through December 31, 2020, capped at $511 per employee per day or $200 per employee per day depending on the reason for leave, in both cases for a maximum of 10 days per employee.
- **FMLA Credit**: A credit of up to 100 percent of qualifying FMLA expansion wages (including health plan expenses and the employer portion of Medicare tax) paid April 1, 2020 through December 31, 2020, up to $10,000 per employee.
- **Employee Retention Credit**: A credit of up to 50 percent of qualifying wages and allocable health plan expenses paid after March 12, 2020, and before January 1, 2020, up to $10,000 per employee.

The Credits are exclusive of each other and may not be claimed on the same wages. For details on qualifying for the Credits under the FFCRA and CARES Act, see Reinhart's recent articles: President Trump Signs Families First Coronavirus Response Act Into Law and CARES Act Includes Employee Retention Credit.

Claim the Refundable Credits

The Credits are applied against the employer portion of Social Security taxes. Employers claim the Credits on their quarterly payroll tax return (generally, IRS Form 941). If the amount of the Credits for a calendar quarter exceed the employer portion of the Social Security tax, the excess Credit is treated as an overpayment that is refundable to the employer. Due to the quarterly nature of payroll tax returns, an employer would have to wait until the end of the quarter to claim the Credits and refund of any excess. To aid in cash flow during the pandemic, the IRS has approved two mechanisms to expedite the Credits: withhold payroll tax deposits and apply for an advanced payment.

Withhold Payroll Tax Deposits

To more quickly obtain the benefits from the Credits and cash to fund the wages paid, eligible employers may withhold payroll tax deposits equal to the amount of the anticipated Credits for the quarter. Specifically, employers may retain

POSTED:

Apr 8, 2020

RELATED PRACTICES:

Corporate Law
https://www.reinhartlaw.com/practices/corporate-law

Tax
https://www.reinhartlaw.com/practices/tax

RELATED PEOPLE:

Heidi M. Gabriel
https://www.reinhartlaw.com/people/heidi-gabriel

All materials copyright © 2025 Reinhart Boerner Van Deuren S.C. All rights reserved.

amounts normally required to be deposited with the IRS for federal income tax withholding, the employee portion of Social Security and Medicare taxes and the employer portion of Social Security and Medicare taxes with respect to all employees. No failure to deposit penalties will apply if the amounts retained are equal to or less than the amount of the Credits.

Apply for Advanced Payment

Eligible employers may apply for an advanced payment of the Credits on Form 7200, Advance Payment of Employer Credits Due to COVID-19 to the extent the Credits exceed required payroll tax deposits. Form 7200 can be filed any time before the end of the month following the quarter in which the employer paid the qualifying wages. Form 7200 can also be filed several times during each quarter if additional Credits are expected. All Forms 7200 should be faxed to the IRS; there is no option to send by mail.

The following example illustrates application of the above rules:

If an employer is entitled to Credits of $10,000 and was required to deposit $8,000 in employment taxes, the employer could retain the entire $8,000 of taxes as a portion of the refundable Credits it is entitled to and file a request for an advance payment for the remaining $2,000 using Form 7200.

File Form 941

Eligible employers should account for the reduction in deposits and advanced payments to "true-up" the amount of advanced Credits received when filing their quarterly Form 941. The IRS intends to provide instructions on how to reflect the reduced liabilities for the quarter related to the deposit schedule.

Retain Records

Employers should retain all records and documentation related to employment taxes for at least four years. Documentation related to the Credits should include, as applicable, support for each employee's leave, calculations of qualifying wages and allocable health care expenses, support for suspension of business operations or a decline in gross receipts and, in all cases, copies of all Forms 7200 and 941 filed with the IRS.

If you have questions regarding eligibility or how to claim the Credits, please contact your Reinhart attorney.

All materials copyright © 2025 Reinhart Boerner Van Deuren S.C. All rights reserved.

These materials provide general information which does not constitute legal or tax advice and should not be relied upon as such. Particular facts or future developments in the law may affect the topic(s) addressed within these materials. Always consult with a lawyer about your particular circumstances before acting on any information presented in these materials because it may not be applicable to you or your situation. Providing these materials to you does not create an attorney/client relationship. You should not provide confidential information to us until Reinhart agrees to represent you.

All materials copyright © 2025 Reinhart Boerner Van Deuren S.C. All rights reserved.