

Qualified Family Leave (QFL) Tax Credit

A. What is it?

- a. A payroll tax credit for qualified expenses incurred by employers under the Families First Coronavirus Response Act (FFCRA). This Act states that businesses must pay their employees 2/3 of their normal wages for up to 10-weeks if they must stay home to care for a child whose daycare or school is closed due to COVID-9. This rule applies from April 1, 2020 through December 31, 2020. Small businesses with less than 50 employees may choose to be exempt from this rule if providing such pay would jeopardize their viability as a going concern. **Tip - If the employee you are concerned about is you, you may not want to claim this exemption.**

B. What QFL Tax Credit Covers?

- a. The credit covers 100% of the required 2/3 wages paid to affected employee's, employer's share of Medicare tax on those wages, and any qualified health plan expenses, up to a cap of \$200/day or \$10k total.

C. Who Qualifies?

- a. Any business having affected employee(s), employed at least 30-days, including self-employed individuals, between April 1, 2020 and December 31, 2020.

D. How to Calculate?

- a. **Determine Hourly QFL Wage for Each Employee (keep this calculation for your records)**
 - i. If you pay your employees hourly, start with that number. Use the average hourly rate calculated over the previous 6-months before leave was requested, or as long as possible if they've been with you less than 6-months.
 - ii. If they are paid salary or commission, do the following:
 1. Use your payroll records (previously filed IRS Forms 941 are best) to determine what the normal gross pay for the previous 6-months for the affected employee per pay period. Add in commissions over this period.
 2. Divide that number by the average number of hours worked during that period. Start with this hourly wage number.
 - iii. If you are Self Employed, do the following:
 1. Determine net earnings from self-employment for the taxable year divided by 260. A taxpayer's net earnings from self-employment are based on the gross income that he or she derives from the taxpayer's trade or business minus ordinary and necessary trade or business expenses. This is your Average Daily Self Employment Income.
 - iv. Multiply this number by 0.667.
 - v. This is their **Hourly QFL Wage (for employees) or Daily QFL Wage (for self-employed)**.
- b. **Credit for Employer's Share of Medicare Taxes**
 - i. Equals 1.45% of **Hourly QFL Wage or Daily QFL Wage (for self-employed)**
 - ii. Multiply their **Hourly QFL Wage (or Daily QFL Wage for self-employed)** amount by 0.0145. This is the amount of your Credit for Employer's Share of Medicare Taxes for that employee.

c. **Qualified Health Plan Expense**

- i. Qualified Health plan costs include any health insurance costs paid by the employer plus any pre-tax health insurance expenses paid by the employee. These costs are then allocated to the affected employee(s). This is complicated. Go [HERE](#) to figure it out.

d. **Fill-Out Your QFL Tax Credit Documentation Chart**

- i. Do this for each affected employee: Add together all components (a+b+c). This is their **QFL Hourly Credit** amount (*or QFL Daily Credit for self-employed*).
- ii. Make a Chart entitled “**QFL Tax Credit Documentation**”. Show your business’ work week across the top in columns and each employee down the side in rows
 1. Write this statement across the top above the chart:
 - a. “Attestation: Each employee listed, having been employed for at least 30-days, qualifies for Qualified Family Leave as they are not able to work their usual schedule due to the COVID-19 related closure of their child’s childcare provider or school. Due to caring for their child, they are not able to work, even remotely by telephone or computer, for the hours compensated in the below chart. There are no other suitable person(s) to care for their child other than employee. See attached written documentation for school and/or daycare closure”
 2. Write the following information next to each employee’s name:
 - a. Date QFL was requested
 - b. Child’s Name and School or Daycare Provider that has closed
 - c. Their **QFL Hourly Credit** amount (*or QFL Daily Credit for self-employed*)
 - d. Their Average Daily Hours calculated over a 2-week period. If schedule varies, use a 6-month, or as long as possible, average number. For self-employed, hours are irrelevant.
 3. Make a final row along the bottom entitled “**QFL Daily Credit**”
 4. Attach a written declaration for each School District or Daycare closure.
- iii. For each employee, multiply their **QFL Hourly Credit** by the number of hours they were paid that day for being home when they usually would have worked. Show the calculation and the result in the square. This is *their* **Employee QFL Daily Credit**. For self-employed, just write-in your **QFL Daily Credit**.
- iv. Sum the columns for each day, adding the **Employee QFL Daily Credit** for each employee, and put the result in the **QFL Daily Credit** square. If this sum is less than \$200, write it down. If it is over \$200, write “\$200”. This is *your* (employer) **QFL Daily Credit** for that day.
- v. At the end of the week, sum the daily QFL Daily Credit amounts for each day. This is your **QFL Weekly Credit**.
- vi. Keep this log for each week, up to 10-weeks per affected employee (50-days for self employed).

e. **Determine Your Actual QFL Tax Credit**

- i. Add up the **QFL Weekly Credit** for each employee for a maximum of 10-weeks.
This is your **Potential QFL Tax Credit**
 - 1. Compare your **Potential QFL Tax Credit** to the \$10,000 maximum credit allowed.
 - a. If it is over, write \$10,000.
 - b. If its under, write the number
 - c. This is your **Actual QFL Tax Credit**

E. Claiming Your Credit

- a. For employers
 - i. Credit is applied against your business' quarterly social security taxes. You may:
 - 1. Take the credit by not paying what would otherwise be due for your quarterly social security tax payment on IRS Form 941.
 - 2. Request a refund for the difference between your Actual QFL Tax Credit and what you have withheld in quarterly social security tax payments. Make this request using [IRS Form 7200](#), Advance Payment of Employer Credits Due to COVID-19.
- b. For Self-Employed
 - i. Credit is applied by:
 - 1. Claiming the credit on your Form 1040 2020 Tax Return
 - a. Note: To help increase cash flow now, you may withhold your Actual QFL Tax Credit amount from your quarterly tax payments. You will still claim the tax credit on your 2020 1040.

Sources:

<https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-paid-sick-and-paid-family-leave-overview>

<https://www.dol.gov/agencies/whd/pandemic/ffcra-questions>

<https://www.irs.gov/newsroom/covid-19-related-tax-credits-special-issues-for-employees-and-additional-questions-faqs#specific>

Business:_____ QFL Tax Credit Documentation Chart

Attestation: Each employee listed, having been employed for at least 30-days, qualifies for Qualified Family Leave as they are not able to work their usual schedule due to the COVID-19 related closure of their child's childcare provider or school. Due to caring for their child, they are not able to work, even remotely by telephone or computer, for the hours compensated in the below chart. There are no other suitable person(s) to care for their child other than employee. See attached written documentation for school and/or daycare closure.

For Week Beginning_____

Employees		Employee QFL Daily Credit Amounts							
		Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Totals
Employee 1									
Name:									
Date QFL Requested									
Child's Name									
School/Daycare Provider									
QFL Hourly Credit Amount (or QFL Daily Credit Amount if Self-Employed)									
Employee 2									
Name:									
Date QFL Requested									
Child's Name									
School/Daycare Provider									
QFL Hourly Credit Amount (or QFL Daily Credit Amount if Self-Employed)									
*QFL Daily Credit									

*Note: Max \$200/day QFL Credit *for entire business*

Weekly Total