

Understanding ARPA & FFCRA Tax Credits

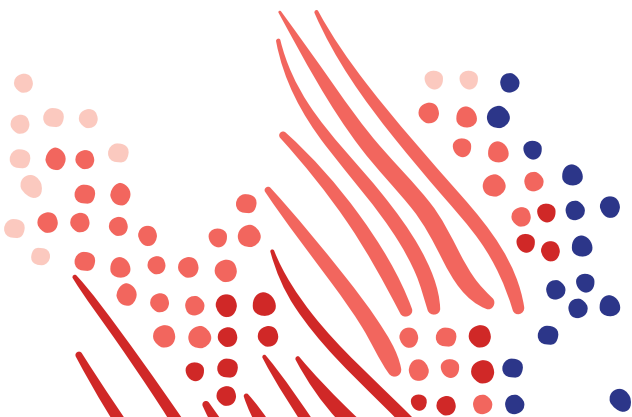


What you need to know to process American Rescue Plan Act (ARPA) and Families First Coronavirus Response Act (FFCRA) tax credits with ADP®

Updated 4/1/2021

On March 11, 2021, President Biden signed into law H.R. 1319 – the **American Rescue Plan Act (ARPA)**, providing approximately \$1.9 trillion in further support and stimulus to individuals, businesses and other organizations, as well as state and local governments affected by the COVID-19 pandemic. The Act once again extends the availability & eligibility requirements of certain business tax credits, including the Paid Sick and Family Leave Tax Credits under the FFCRA.

ADP® offers tools and resources to support clients that choose to pay emergency paid sick leave and emergency paid family leave in accordance with FFCRA and ARPA. **Payroll Earnings Codes are available in ADP solutions to support the changes made by ARPA and can be used from April 1, 2021 through September 30, 2021 for covered COVID-19-related time off.**



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Eligibility Requirements

The FFCRA Paid Sick and Family Leave tax credit is extended beginning April 1, 2021 through September 30, 2021 and remains refundable and advanceable via IRS Form 7200. The requirement for covered employers to offer paid FFCRA leave expired in 2020, but for covered employers that offer it, such leave is funded by the federal government up to applicable limits. ARPA resets the limit for qualifying sick leave taken between April 1, 2021 and September 30, 2021.

As originally enacted, the FFCRA required covered employers to provide up to 80 hours of Emergency Paid Sick Leave (EPSL) to employees when they were unable to work (or telework) because of the following reasons:

- Employee is subject to a federal, state, or local quarantine or isolation order related to COVID-19 or is caring for an individual who is subject to such an order
- Employee has been advised by a healthcare provider to self-quarantine due to concerns related to COVID-19
- Employee is experiencing symptoms of COVID-19 and seeking a medical diagnosis
- Employee is unable to work because of a bona fide need to care for an individual subject to quarantine (pursuant to Federal, State, or local government order or advice of a health care provider)
- Employee is caring for their son or daughter due to their school or place of care being closed, or their childcare provider is unavailable, due to COVID-19 precautions
- Employee 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

The American Rescue Plan Act adds new reasons for which employees may take paid sick or family leave for which employers are entitled to the tax credit:

- Leave for time awaiting the results of a test to diagnose COVID-19
- To obtain a COVID-19 immunization
- To recover from any adverse health impacts arising from the immunization

EPSL credits were subject to limitations based on the type of leave taken by the employee: up to a maximum of \$511 per day, for employees to address their own symptoms, diagnosis, or isolation orders; and up to two-thirds (2/3) of their daily wages, up to a maximum of \$200 per day to care for others.

The FFCRA also originally provided that eligible employees of covered employers were entitled to 12 weeks of paid emergency family leave (EFML) to care for a child whose school or place of care was closed for reasons related to COVID-19, with the first two weeks being unpaid. The ARPA provides that EFML is now available for all of the reasons set forth above. In addition, the ARPA also removes the prior limitation that the first two weeks of EFML be unpaid, so now covered employers may take credits for up to 12 weeks of EFML, subject to a maximum of \$12,000 per employee.





Available Payroll Earnings Codes

Applies to checks dated between April 1, 2021 - September 30, 2021

AR FMLA Expansion

For family leave taken under ARPA. Payment maximum is \$12,000 per employee (up from \$10,000 under the original Families First FMLA Expansion which expired March 31, 2021).

AR Employee Pay

For sick leave taken for the employee's own care under ARPA. Payment not to exceed \$511 per day for two weeks (80 hours) with a maximum limit of \$5,110.

AR Fam Care Pay

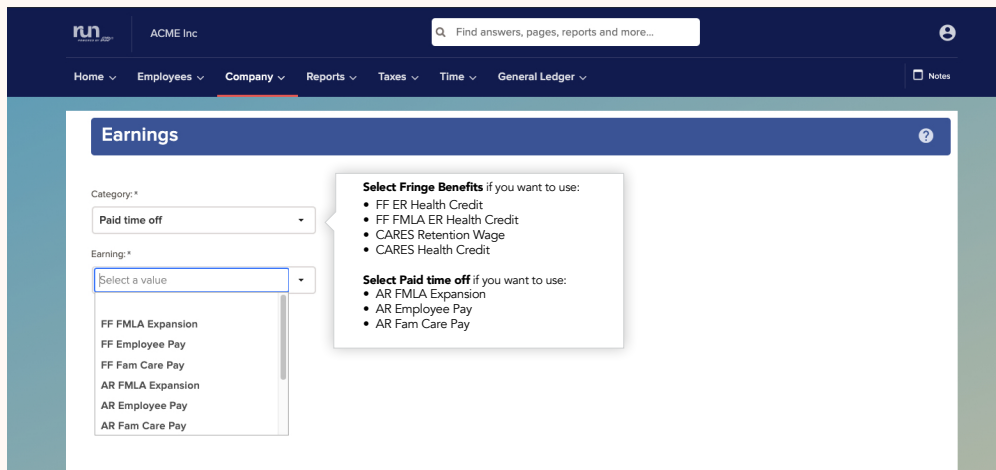
For sick leave taken to care for a family member under ARPA. Payment not to exceed \$200 per day for two weeks (80 hours) with a maximum limit of \$2,000.

New ARPA earnings codes are available in RUN Powered by ADP®, with FFCRA health credits continuing to be available through 9/30/21. Continue to use the **FF FMLA ER Health Credit** and **FF ER Health Credit** earnings codes along with the new ARPA earnings codes.

The payable American Rescue earnings used with checks dated from April 1, 2021 to September 30, 2021 ARE taxable for Employer Social Security Tax. A tax credit will be given for the full amount of the AR earnings plus the employer portion of Social Security and Medicare. Tax credits are automatically applied against the entire Federal payroll tax liability, in this order:

- Employer Medicare tax
- Employee Federal Withholding tax
- Employee Social Security tax
- Employer Social Security tax
- Employee Medicare / Medicare HI tax

Prior to April 1, 2021, these amounts would have been recorded under three different FFCRA earnings codes, which expired on March 31, 2021 and were NOT taxable for Employer Social Security Tax. To make FFCRA earnings adjustments to prior quarters, please contact your dedicated ADP service team.



RUN Powered by ADP view of earnings setup. Earnings setup experience may vary based on your ADP platform, and may change over time. Log in to your ADP platform to access the most current information

Payroll earnings and memo codes can vary by solution and are being updated on an ongoing basis. Log in to your ADP solution for the latest updates. Depending on your configuration, additional PTO policies and time codes may also be available. Please log in to your ADP solution for more details to help you navigate the setup of these earnings codes. ADP will adjust as needed, based on guidance from the U.S. Treasury Department on additional credits for amounts paid under these earnings, including credits for certain specified health expenses.



Additional Resources:

COVID-19 Employer Preparedness Toolkit: Stay up-to-date with the latest information and guidance to assist you during this time.

Guide to the Paycheck Protection Program (PPP): Learn more about how you can prepare for loan forgiveness and what reports you'll need, along with FAQs and other ADP resources.