

From the Washington Business Journal:

<https://www.bizjournals.com/washington/news/2021/04/22/employers-get-get-thousands-in-tax-credits.html>

Small businesses can now get thousands in tax credits for vaccine PTO. Here's how it works.

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Many businesses now have another reason to encourage employees to get vaccinated for Covid-19: thousands of dollars in potential tax credits per employee.

The tax credits, funded by the American Rescue Plan, are one facet of President Joe Biden's plan to encourage employers to use their resources to encourage vaccinations among their employees.

Experts say it's better for employers to encourage, rather than require, the vaccine. Many businesses already offer paid leave for employees to be vaccinated, but the newest tax credits offer a potentially lucrative new avenue for businesses looking to encourage vaccinations.

The Internal Revenue Service and the U.S. Department of the Treasury issued details and guidelines for the tax credits on Wednesday.

The tax credits apply to businesses with fewer than 500 employees — a group the White House estimates accounts for nearly half of the nation's private-sector employees.



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New tax credits are available to employers granting paid leave for workers getting or recovering from the Covid-19 vaccine.

Employers could be eligible for tax credits of up to \$17,110 for each employee who takes paid leave due to Covid-19 in the second or third quarters. Reasons for the paid leave include illness, quarantine and getting tested, as well as receiving or recovering from the vaccine. There is also a provision for caregivers.

According to guidance from the Department of the Treasury, employers can take tax credits for up to 80 hours of paid sick leave equal to the employee's regular wage, capped at \$511 per day up to \$5,110, for employees who were sick or quarantining, awaiting the results of a Covid-19 test, or obtaining or recovering from a vaccine.

Alternatively, employers could also take a paid-sick-leave credit for two-thirds of an employee's regular wage, capped at \$200 per day up to \$2,000, for workers who were caring for someone quarantining or to provide care due to Covid-19 school or child care provider closures.

In addition to those sick-leave provisions, the American Rescue Plan also expanded the paid-family-leave tax credit, as we previously noted. That credit is for paid-family-leave wages paid for up to 12 weeks, capped at \$200 per day up to \$12,000, at two-thirds of the employee's regular pay rate.

That \$12,000 from paid family leave, plus the potential \$5,110 in paid sick leave, brings the total up to the maximum \$17,110.

According to the IRS, the paid-leave credits are refundable credits against the company's share of Medicare tax. That means employers are entitled to payment of the full amount of credits that exceed its share of the Medicare tax. Businesses can claim the credit quarterly through Sept. 30, 2021.

Employers can claim the tax credits on Form 941, and the IRS guidance said eligible employers can "keep the federal employment taxes that they otherwise would have deposited, including federal income tax withheld from employees, the employees' share of Social Security and Medicare taxes and the eligible employer's share of Social Security and Medicare taxes with respect to all employees up to the amount of credit for which they are eligible."

Self-employed individuals are also able to claim comparable tax credits on Form 1040, according to the IRS.

In announcing details on the paid leave credits, the White House said studies estimate paid-leave provisions put in place last year prevented an estimated 400 Covid-19 cases per day.

In addition to the credits, the Biden administration is also calling on employers to provide further enticements to encourage vaccinations, including discounts for vaccinated individuals, product giveaways, in-store messaging and point-of-purchase promotions.

Many employers and industries have already been focusing heavily on vaccinations.

The National Association of Manufacturers launched the “This is Our Shot” project earlier this year to encourage vaccinations among manufacturing employees.

National Association of Manufacturers President and CEO Jay Timmons said the tax credit provides another tool in that effort.

“Many manufacturers have supported vaccination by giving employees time off to get vaccinated,” Timmons said. “With a new tax credit, it will be even easier for manufacturers and all employers to offer this option.”

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