



FFCRA Tax Credit Guidelines

IRS Form 7200 - Advance Payment of Employer Credits Due to COVID-19

Who Qualifies?

Employers that file **Form(s) 941, 943, 944, or CT-1** may file Form 7200 to request an advance payment of the tax credit for qualified sick and family leave wages and the employee retention credit. You will need to reconcile any advance credit payments and reduced deposits on your employment tax return(s) that you will file for 2020.

No employer is required to file Form 7200. Instead of filing Form 7200, you should first reduce your employment tax deposits to account for the credits. You can request the amount of the credit that exceeds your reduced deposits by filing Form 7200 or waiting to get a refund when you claim the credits on your employment tax return. If you have 500 or more employees, you're not eligible to claim the credit for qualified paid sick and family leave wages. If your claimed credits do not exceed reduced deposits, **no additional form is necessary**. Reconcile the claimed credit with the deposit in the quarterly and annual filings.

How to calculate if your credit exceeds your reduced deposits

Eligible employers who pay qualified sick and family leave wages or qualified wages eligible for the employee retention credit should retain an amount of the employment taxes equal to the amount of qualified sick and family leave wages (plus certain related health plan expenses and the employer's share of the Medicare taxes on the qualified leave wages) and their employee retention credit, **rather than depositing these amounts with the IRS**. The employment taxes that are available for the credits include withheld **federal income tax, the employee share of social security and Medicare taxes, and the employer share of social security and Medicare taxes with respect to all employees**.

If there aren't sufficient employment taxes to cover the cost of qualified sick and family leave wages (plus the qualified health expenses and the employer share of Medicare tax on the qualified leave wages) and the employee retention credit, employers can file Form 7200 to request an advance payment from the IRS.

Don't reduce your deposits and request advance credit payments for the same expected credit. You will need to reconcile your advance credit payments and reduced deposits on your employment tax return.

Examples

If an employer is entitled to a credit of \$5,000 for qualified sick leave wages, certain related health plan expenses, and the employer's share of Medicare tax on the leave wages and is otherwise required to deposit \$8,000 in employment taxes, the employer could reduce its federal employment tax deposits by \$5,000. The employer would only be required to deposit the remaining \$3,000 on its next regular deposit date. For information about additional relief that may be available to employers that allows them to delay the deposit of certain employment taxes, go to [IRS.gov/Coronavirus](https://www.irs.gov/Coronavirus).

If an employer is entitled to an employee retention credit 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 tax credit it is entitled to and file a request for an advance payment for the remaining \$2,000 using Form 7200.

When may you file?

The employer tax credits for qualified sick leave wages and qualified family leave wages apply to those wages paid for the period from **April 1, 2020, to December 31, 2020**.

The employer tax credit for qualified wages for retention of employees during suspension of operations due to a government order or due to a significant decline in gross receipts applies to those wages paid after March 12, 2020, and before January 1, 2021. The credit due to a significant decline in gross receipts is available for the period beginning with any quarter in which your **gross receipts are less than 50% of what they were in the same calendar quarter in 2019** and ending with the quarter that follows the first quarter beginning after the quarter in which your gross receipts **were greater than 80% of what they were in the same calendar quarter in 2019**.

You can file the form for an advance payment of the credits anticipated for a quarter at any time before the end of the month following the quarter in which you paid the qualified wages. If necessary, **you can file Form 7200 several times during each quarter**. Don't file Form 7200 after you file Form 941 for the fourth quarter of 2020, or file Form 943, 944, or CT-1 for 2020. Don't file the form to request an advance payment for any anticipated credit for which you already reduced your deposits.

References:

<https://www.irs.gov/instructions/i7200>

<https://www.irs.gov/coronavirus/employee-retention-credit>

<https://www.congress.gov/116/bills/hr6201/BILLS-116hr6201enr.pdf>

<https://www.irs.gov/newsroom/common-errors-to-avoid-when-filing-for-advance-payment-of-employer-credits>

<https://www.irs.gov/coronavirus/new-employer-tax-credits>