# COMPLIANCE ADVISOR



## Paid Leave Credit Available for Providing Leave to Employees Caring for Individuals Obtaining or Recovering from a COVID-19 Immunization

2-Minute Read

The IRS updated frequently asked questions (FAQs) on the paid sick and family leave tax credits under the American Rescue Plan Act of 2021 (ARP). The updates clarify that eligible employers can claim the credits for providing leave to employees to accompany a family or household member or certain other individuals to obtain immunization relating to COVID-19 or to care for a family or household member or certain other individuals recovering from the immunization.

The paid sick and family leave credits reimburse eligible employers for the cost of providing paid sick and family leave for reasons related to COVID-19. The revised FAQs make clear that this includes leave taken by employees to care for certain individuals to obtain immunization relating to COVID-19 or to recover from immunization relating to COVID-19. This new reason for paid sick or family leave also applies for the comparable credits for self-employed individuals.

The paid sick and family leave tax credits under the ARP are similar to those put in place by the Families First Coronavirus Response Act (FFCRA), as amended and extended by the COVID-related Tax Relief Act of 2020 (Tax Relief Act), under which certain employers could receive tax credits for providing paid sick or family leave that met the requirements of the Emergency Paid Sick Leave Act and the Emergency Family and Medical Leave Expansion Act (as added by FFCRA). The tax credits under the FFCRA, as amended and extended by the Tax Relief Act, covered leave taken beginning April 1, 2020, through March 31, 2021. The ARP amends and extends these credits to leave taken beginning April 1, 2021, through Sept. 30, 2021.

The FAQs include information on how eligible employers may claim the paid sick and family leave credits, including how to file for and compute the applicable credit amounts, and how to receive advance payments for and refunds of the credits. Under the ARP, eligible employers, including businesses and tax-exempt organizations with fewer than 500 employees and certain governmental employers, may claim tax credits for qualified leave wages and certain other wage-related expenses (such as health plan expenses and certain collectively bargained benefits).

Self-employed individuals may claim comparable credits on the Form 1040, U.S. Individual Income Tax Return.

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