



# TEMPORARY IRS RULE RE: EMPLOYMENT TAX CREDITS

## THE CARES ACT QUICK TAKES

- The Families First Act and the CARES Act contained several tax relief provisions.
  - Employers subject to paid leave requirements or suffering economic hardship are entitled to or eligible for certain tax credits.
  - For some businesses, the amount of these credits may exceed its overall tax burden. For others, advance payments may exceed the allowable tax credit.
- On July 29, the IRS published a temporary regulation detailing how advance payments should be reconciled and benefits recaptured if necessary.
  - If the amount of credit exceeds the taxes owed, such excess will be treated as an overpayment and refunded under section 6402(a) and 6413(3) of the Internal Revenue Code.
  - Any amount of employer credits that are erroneously refunded or credited will be treated as underpayments of the Old-Age, Survivors, and Disability Insurance tax (i.e., the social security tax).
- Temporary regulations go into effect immediately, but the public may submit written or electronic comments on proposal to make them a permanent Final Rule by September 28, 2020

