



## NEW FAMILY AND MEDICAL LEAVE TAX CREDIT

The Tax Cuts and Jobs Act (TCJA) brought a new tax credit for employers who offer their employees paid family and medical leave. The employer is required to have a written policy in place that provides at least two weeks of paid qualified leave. The paid leave has to be provided to qualified employees and must allow for paid leave for the same reasons as FMLA (birth of a child, adoption, care for a spouse, child, or parent, serious health condition, etcetera).

While some employers may already offer some types of paid family leave, the tax credit itself is new and available to employers of all sizes. Even employers who previously had a policy in place would be wise to evaluate and confirm that they qualify for this particular tax credit.

To estimate the amount of the potential tax credit available for your company, input your estimated numbers into the following credit calculator:

<p><b>1. Estimated total leave wages paid to employees meeting all the following conditions:</b></p> <ul style="list-style-type: none"> <li>▶ Employees must have been employed by employer for at least 12 months</li> <li>▶ Employees cannot earn more than \$72,000 of annual wages</li> <li>▶ Paid leave must cover at least 50% of normal wages</li> <li>▶ Paid leave wages must offer to cover at least 2 weeks and no more than 12 weeks</li> </ul>	\$
<p><b>2. Subtract: Amount of Line 1 wages paid for the following:</b></p> <ul style="list-style-type: none"> <li>▶ Accrued vacation</li> <li>▶ Accrued personal time</li> <li>▶ Any other paid leave wages not restricted to FMLA purposes</li> </ul>	\$
<p><b>3. Subtract: Amount of Line 1 wages paid by a state or local government</b></p>	\$
<p><b>4. SUBTOTAL</b></p>	\$
<p><b>5. Potential Tax Credit: Multiply Line 4 by</b></p> <ul style="list-style-type: none"> <li>▶ 12.5% if your qualified leave policy pays 50% of normal wages</li> <li>▶ 25% if your qualified leave policy pays 100% of normal wages</li> <li>▶ If your qualified leave policy pays somewhere in between 50% and 100%:           <ul style="list-style-type: none"> <li>▶ Take the percentage of wages that your policy covers times 25% somewhere in between 50% and 100%:</li> </ul> </li> </ul> <p><b>For example:</b></p> <ul style="list-style-type: none"> <li>▶ If your policy covers 85% of wages, credit percent is 21.25%</li> <li>▶ If your policy covers 75% of wages, credit percent is 18.75%</li> <li>▶ If your policy covers 65% of wages, credit percent is 16.25%</li> </ul>	\$