Spectrum - FAQs Regarding FFCRA (April 2020)

Viewpoint held a series of webinars on the Families First Coronavirus Response Act (FFCRA), enacted into law April 1 - December 31, 2020, and how to accommodate the new sick and paid leaves in Spectrum. We received a lot of great questions, in addition to those received by our Support team. Below we have consolidated the questions and provided answers.

Additionally, please refer to the [Spectrum Knowledge Base](#) article for detailed information regarding the specific steps for setup and processing.

IMPORTANT! Viewpoint is providing this information as a courtesy and is not intended to reflect financial or legal guidance. Please consult with your CPA or Tax Attorney for specific questions regarding the impacts of FFCRA and your business.

Summary of Families First Coronavirus Response Act (FFCRA)
FFCRA Eligibility
All employees of private employers with 500 employees or less, regardless of how long they've been employed, are eligible for up to 10 days of emergency paid sick leave. Employees will be eligible if they are unable to work (or telework) because:

1. The employee is subject to a Federal, State, or local quarantine or isolation order related to COVID-19.
2. The employee has been advised by a health care provider to self-quarantine due to concerns related to COVID-19.
3. The employee is experiencing symptoms of COVID-19 and seeking a medical diagnosis.
4. The employee is caring for an individual who is subject to (1) or (2) above.
5. The employee is caring for a child whose school or place of care is closed (or child care provider is unavailable) for reasons related to COVID-19
6. The employee is experiencing any other substantially similar condition specified by the Secretary of Health and Human Services in consultation with the Secretary of the Treasury and the Secretary of Labor.

If a business makes a decision to close or cancel work shifts for business reasons (i.e., lack of work), neither emergency paid sick leave nor expanded family leave will apply as they are available only to employees who are not working due to the specified reasons listed above, not including their employer's decision to cease or reduce operations.

Duration of Leave

For reasons (1)-(4) and (6): A full-time employee is eligible for up to 80 hours of leave, and a part-time employee is eligible for the number of hours of leave that the employee works on average over a two-week period.

For reason (5): A full-time employee is eligible for up to 12 weeks of leave at 40 hours a week, and a part-time employee is eligible for leave for the number of hours that the employee is normally scheduled to work over that period. Note that the 12 weeks is broken out into 2 weeks of EPSL and the remaining 10 weeks of EFMLA.

Pay Rate

For leave reasons (1), (2), or (3): employees taking leave shall be paid at either their regular rate or the applicable minimum wage, whichever is higher, up to $511 per day and $5,110 in the aggregate (over a 2-week period).

For leave reasons (4) or (6): employees taking leave shall be paid at 2/3 their regular rate or 2/3 the applicable minimum wage, whichever is higher, up to $200 per day and $2,000 in the aggregate (over a 2-week period).

For leave reason (5): employees taking leave shall be paid at 2/3 their regular rate or 2/3 the applicable minimum wage, whichever is higher, up to $200 per day. Emergency Paid Sick Leave is capped at $2,000 and Emergency FMLA is limited to $10,000.

Tax Credits

Covered employers qualify for dollar-for-dollar reimbursement through tax credits for all qualifying wages paid under the FFCRA. Qualifying wages are those paid to an employee who takes leave under the Act for a qualifying reason, up to the appropriate per diem and aggregate payment caps. Applicable tax credits also extend to amounts paid or incurred to maintain health insurance coverage, and the employer's Medicare tax.

FAQ

1. **Will there be a software update with this?**
   Yes for versions 14.29 and 14.24YE2019.

   Spectrum systems hosted by Viewpoint will have these updates applied automatically. Those on-prem will need to install the updates manually.

2. **I heard that there were two software updates. What do they do?**
   The first update adds functionality to store the Labor Distribution Report information into a history table. This report will be useful when claiming tax credits later.

The second update provides the Labor Distribution Report and a utility to remove the employer paid portion of Social Security. Employer paid Social Security (i.e. Old-Age and Survivors Insurance - OASI) is not subject to emergency sick or family leave. As there is not a way to configure Spectrum to do this calculation, we are developing an after-the-fact utility to back it out.

The first update is available now (4/10/2020).
14.29   FFCRA_1_2020R1.zip
14.24YE2019   FFCRA_1_14.24YE2019.zip

3. **Do you recommend creating unique G/L codes to track these three new departments?**
   Yes. The main reason is that we don't necessarily know what types of reporting and auditing requirements will arise due to the FFCRA. We recommend gathering more information and supporting documentation as possible.

4. **Do you subtract out the COVID Employer Social Security as well as the Employer Medicare for the credit?**
   No, emergency sick and family leave are not subject to Employer Social Security. As they are not subject to Employer Social Security, these amounts cannot be deducted. See IRS FAQ #23 and #29 https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs

5. **Will COVID emergency leave be paid at a regular rate?**
   Yes, subject to any daily limits within FFCRA. See Question #8 from the Department of Labor addressing how to determine this at https://www.dol.gov/agencies/whd/pandemic/ffcra-questions

6. **When employees have variable pay rates, how do you determine the regular rate?**
   See Question #8 from the Department of Labor addressing how to determine this at https://www.dol.gov/agencies/whd/pandemic/ffcra-questions

7. **Are these credits considered income for the employer?**
   Yes, these amounts are considered income according to the IRS. See FAQ # 49 https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs

8. **For the EFMLA (Emergency Family Medical Leave Act), is it for 10 weeks or 12 weeks?**
   The first two weeks are unpaid under EFMLA, however the employee may take paid sick leave at this time under EPSL. See FAQ #25 at

https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs

9. **We thought for the EFMLA (Emergency Family Medical Leave Act) that the only qualifying reason was that the child care provider or school was closed due to a declared public health emergency, not just for COVID-19 related reasons. Do you know if that was a change?**
Yes, this was a change. The FFCRA expanded the definition here. See https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs

10. **Is the FFCRA retroactive?**
The IRS has stated that this is only retroactive to April 1, 2020. See IRS FAQ # 2 at https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs

11. **Are we able to apply weekly for the tax credits when we report our weekly tax liability to the federal taxes owed?**
Yes. While Form 7200 asks for quarter-to-date information on lines 1, 2, and 3, lines 5 and 6 ask for what you have already applied for. Follow the form to calculate your current week's tax credit. See Instructions for Form 7200 at https://www.irs.gov/pub/irs-pdf/i7200.pdf.

12. **Are these wages subject to State unemployment and L&I?**
The FFCRA is a federal law, so it does not impact the states. Please check with your state and other jurisdictions for more information about taxability.

13. **Will health benefits be deducted from the COVID payroll?**
In general yes. Please review IRS FAQ # 31 - 36 for details. Please consult with your CPA or tax expert for specifics for your company.
https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs

14. **What if the employee is only taking partial (intermittent) hours during the week?**
There is conflicting guidance here between the IRS and Department of Labor. Please consult your CPA or Tax Attorney for details.

15. **The available leave doesn't need to show on the check stub, correct?**
There are no requirements to display available leave on the check.

16. **How will 941 be modified?**
Unknown at this time.

17. **We are a union employer. Are there any changes to the setup here?**
No. The most important thing is to create and use the new department codes. Not only will this allow you to segregate this information, it will allow you to remove the employer-paid Social Security amounts on these wages.

18. **Do we pay union fringes on these hours?**
Please contact your union rep, CPA or Tax Attorney on this one.

19. **Why wouldn't we just set it (COIVID) up as PTO?**
It can be, but the most important thing is setting up the new departments. Employer paid Social Security (i.e. Old-Age and Survivors Insurance - OASI) is not subject to emergency sick or family leave.

20. **Would it be okay to set up a separate job called COVID-19?**
Sure. If you want to track at a more granular level, please feel free to charge against a job. The most important thing is setting up new departments to track this information.

21. **What if you have payrolls you have already entered?**
The FFCRA became effective April 1, 2020. If you have already entered payrolls since April 1st, you have the option of:
    1. Void and reissue the paychecks using the new Department codes. Remember to follow the limits per the Act.
    2. Do a manual 'pen and paper' calculation to provide details for you to take the credit.

22. **Can you take the credit if you have a PPP loan?**
Viewpoint recommends you consult with your CPA or Tax Attorney on this one.

23. **What about highly compensated employees earning more than 100k? Do we need to adjust their pay to meet the COVID sick?**
There is nothing in the FFCRA that guides you to adjust an employee's pay upward or downward. Rather, this is a business decision left up to you.

We recommend that you create two 'Check sequences'. The first sequence is used to pay the employee up to the limits. The second will be for any remainder pay.

24. **Why can't Spectrum create a new pay type to track this?**
Adding this functionality is on the roadmap and is a large project. Due to the short timing we have here, it was not possible to do within the time frame.

25. **Why are you recommending the SR pay type? Do I have to use it?**
No. Using the Special Rate (SR) pay type allows you to store an hourly rate by employee. This may be helpful when paying the employee 2/3rd of their standard rate.

26. **We are not eligible for the FFCRA. Will this service pack impact us?**
Kind of. The utility to recalculate employer-paid Social Security will be available, but you do not have to use it. You will also get the new Labor Distribution History Report.

27. **Which is better? A separate pay cycle or separate check sequence to track COVID leave?**
Well, it depends.
   1. If you accrue Time Off Bank hours in Spectrum, then the recommendation is to do a separate pay cycle. In the COVID pay cycle, be sure to clear the 'Accrue hourly banks' option on the Set Payroll Cycle page.
   2. If you do not accrue Time Off Bank Hours in Spectrum, then it is your choice which method to use.

28. **What additional resources can you recommend on FFRCRA?**
Check out these resources for more information:
   1. **CFMA COVID-19 Resource Center**
   https://cafe.cfma.org/covid-19-resources

   2. **IRS FAQ's on Covid-19 Tax Credits and Required Paid Leave**
   https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs

   3. **IRS Form 7200 Advance Payment of Employer Credits Due to COVID-19**
   https://www.irs.gov/pub/irs-pdf/f7200.pdf