

Family and Medical Leave (FMLA) Tax Credit

What Is It?

Part of the Tax Cuts and Jobs Act of 2017, Congress created a tax credit for employers who offer their employees paid leave for an FMLA purpose. The FMLA Tax Credit is available for tax years beginning in 2018 and 2019 and extends to December 31, 2020. Eligible employers may claim a credit of 12.5% to 25% of wages paid to employees on leave for an FMLA purpose. The exact percentage is determined based on the details of the employer's paid leave policy.

TCC is here to facilitate your claiming of these FMLA Tax Credits.

Who is Eligible?

Employers who

- Maintain a written policy providing at least 2 weeks paid leave for FT employees (and comparable prorated amount for PT employees) for an FMLA purpose:
 - Birth of son or daughter | Adoption of son or daughter | Caring for parent, spouse, son, or daughter with serious health condition | A serious health condition making the employee unable to perform the employee's job | Qualifying exigency regarding certain family members on active duty | Caring for certain family members who are service members
- Paid leave must be at least 50% of normal wages

Employees who

- Worked for employer at least 12 months
- Earned annual wages less than the statutory amount (\$72K) in the preceding year
- Take paid leave for an FMLA purpose

What Is The Credit?

- 12.5% to 25% of the wages paid to eligible employees while on leave (cap 12 weeks per employee per year)
- Credit percentage depends on how much the percentage of wages paid on leave is over 50% of normal wages

Contact Us: (800) 481-0669

Contact us to assess your opportunity

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About TCC

For over 24 years, TCC has provided tax incentive and human resources services for companies of all sizes, ranging from startups to Fortune 500 entities. TCC's approach features technology-driven solutions backed by a team of cross-functional credits and incentives specialists. TCC has developed innovative and audit ready software solutions to solve complex business process issues, which enable TCC to maximize the credits captured by our clients, while minimizing their involvement in pursuing these incentives.

Frequently Asked Questions

Is there a maximum amount of FMLA Tax Credit that can be claimed?

The FMLA Tax Credit can be claimed for an employee's paid leave for an FMLA purpose up to 12 weeks per year per employee. For example: if an employee's annual salary is the statutory maximum (\$72,000), they take 12 weeks of paid leave for an FMLA purpose, and the employer's policy pays the leave at 100% of their normal wages, that would result in a maximum credit of over \$4,000 per eligible employee. There is no cap on the amount of FMLA Tax Credit that an employer may claim across its employee population.

We do not have an eligible leave policy, what can we do to become eligible in 2019?

An employer who was ineligible for 2018 is not automatically excluded from participating in the FMLA Tax Credit for 2019. Employers can still implement a compliant policy during 2019 and begin claiming credits. TCC can help you figure out what a compliant policy looks like.

Can I claim the FMLA Tax Credit and Work Opportunity Tax Credit (WOTC) for the same employee?

Claiming the FMLA Tax Credit for an employee does not preclude you from claiming WOTC for that employee. However, you may not claim both the FMLA Tax Credit and WOTC simultaneously on the same wages.

What are reasons a leave policy would fail to qualify for the FMLA Tax Credit?

Some reasons a policy would not qualify would be if:

- The policy is not in writing;
- The leave in the policy is unpaid;
- The policy does not offer paid leave to part-time employees;
- The policy uses an employee's vacation time or sick time instead of actual paid leave; or
- The pay under the leave policy is less than 50% of the employee's normal wages.

Learn More

To have all of your questions answered and learn about your eligibility, contact TCC today.

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