

How the Employer Credit for Family and Medical Leave Benefits Employers

During National Small Business Week, the IRS focuses on educating employers about the employer credit for paid family and medical leave created by the Tax Cuts and Jobs Act passed last year. Employers may claim the credit based on wages paid to qualifying employees while they are on family and medical leave.

Here are some facts about this credit and how it benefits employers:

- To claim the credit, employers must have a written policy that meets certain requirements:
 - Employers must provide at least two weeks of paid family and medical leave annually to all qualifying employees who work full time. This can be prorated for employees who work part time.
 - The paid leave must be not less than 50 percent of the wages normally paid to the employee.
- A qualifying employee is any employee who:
 - Has been employed for one year or more.
 - For the preceding year, had compensation that did not exceed a certain amount. For 2018, the employee must not have earned more than \$72,000 in 2017.
- For purposes of this credit, “family and medical leave” is leave for one or more of the following reasons:
 - Birth of an employee’s child and to care for the newborn.
 - Placement of a child with the employee for adoption or foster care.
 - To care for the employee’s spouse, child, or parent who has a serious health condition.
 - A serious health condition that makes the employee unable to perform the functions of his or her position.
 - Any qualifying event due to an employee’s spouse, child, or parent being on covered active duty – or being called to duty – in the Armed Forces.
 - To care for a service member who is the employee’s spouse, child, parent, or next of kin.
- The credit is a percentage of the amount of wages paid to a qualifying employee while on family and medical leave for up to 12 weeks per taxable year.
- An employer must reduce its deduction for wages or salaries paid or incurred by the amount determined as a credit. Any wages taken into account in determining any other general business credit may not be used toward this credit.
- The credit is generally effective for wages paid in taxable years of the employer beginning after December 31, 2017. It is not available for wages paid in taxable years beginning after December 31, 2019.