

Now may be a good time to start a paid family and medical leave program



Does your organization have a formalized program under which it offers employees paid time off for an illness or family emergency? If not, there's now an excellent reason to consider establishing one: The Tax Cuts and Jobs Act, passed late last year, created a tax credit for qualifying employers that begin providing paid family and medical leave to their employees.

Qualifications and percentages

The credit is available only in 2018 and 2019. To qualify, employers must grant full-time employees at least two weeks of annual family and medical leave during which they receive at least half of their normal wages. In addition, all less-than-full-time qualifying employees must receive a commensurate amount of paid leave on a pro rata basis.

Ordinary paid leave that employees are already entitled to doesn't qualify for the tax incentive. For example, if you already provide full-time employees with, say, five days of paid sick time per year, you can't claim the credit for that paid time off. Similarly, if you're already subject to mandatory paid sick leave requirements by your state or local government, you won't be able to claim the new tax credit for leave paid under those requirements.

Employees whose paid family and medical leave is covered by this provision must have worked for the employer for at least one year, and not had pay in the preceding year exceeding 60% of the highly compensated employee threshold.

The credit is equal to a minimum of 12.5% of the employee's wages paid during that leave. That credit amount increases to the extent that employees are paid more than the minimum 50% of their normal compensation, to a maximum of 25% of wages paid. The maximum amount of paid family and medical leave that can be eligible for the tax credit is 12 weeks per year.

Competitive advantage

Establishing a paid family and medical leave program can boost morale and serve as a point in your favor when competing for job candidates. But additional rules and limits may apply beyond the points discussed here. Please contact us for further details and assistance.

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