



# FAMILIES FIRST COVID-19 RESPONSE ACT: WHAT DEALERS NEED TO KNOW NOW



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# FAMILIES FIRST CORONAVIRUS RESPONSE ACT OVERVIEW

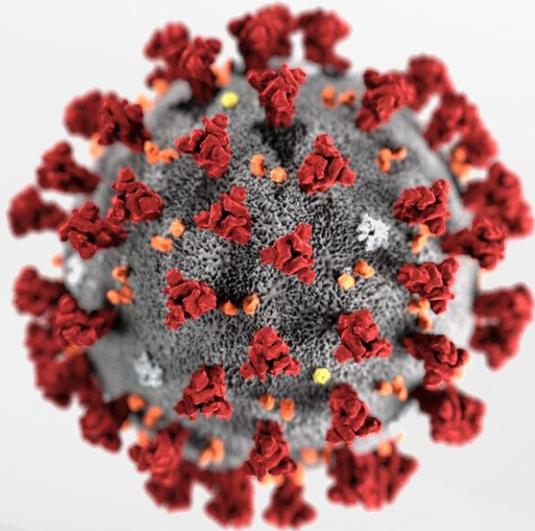
- Passed House on 3/14/2020; House changes made late 3/16/2020 for “technical corrections.”
- Senate passed 3/18/2020; President Trump signed 3/18/2020.
- Leave Provisions Go Into Effect 15 Days After Enactment (April 2)
- Paid and Unpaid Leave for Coronavirus-Related Reasons
  - Emergency Paid Sick Leave
  - Emergency Family and Medical Leave Act (Expands FMLA)
- Emergency Unemployment Insurance Stabilization And Access Act of 2020
  - Unemployment Insurance Funding
- Reimbursement to Employers as Tax Credits



# **EMERGENCY PAID SICK LEAVE**

# EMERGENCY PAID SICK LEAVE

- **Employers with 1-499 employees**
  - How do you count employees? When are separate entities combined?
- **Any employee who works for employer is eligible**
  - No minimum days/hours of employment
- **If the EMPLOYEE is sick, employee is entitled to:**
  - Full-time Employees – 80 hours of paid sick leave
  - Part-time Employees – Paid based on the average number of hours the employee worked for the six months prior to taking this paid sick leave.
    - Or, if employed for less than 6 months, the average number of hours per week the employee would normally be scheduled

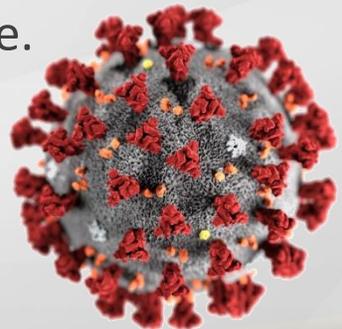


# EMERGENCY PAID SICK LEAVE

## Qualifying Reasons

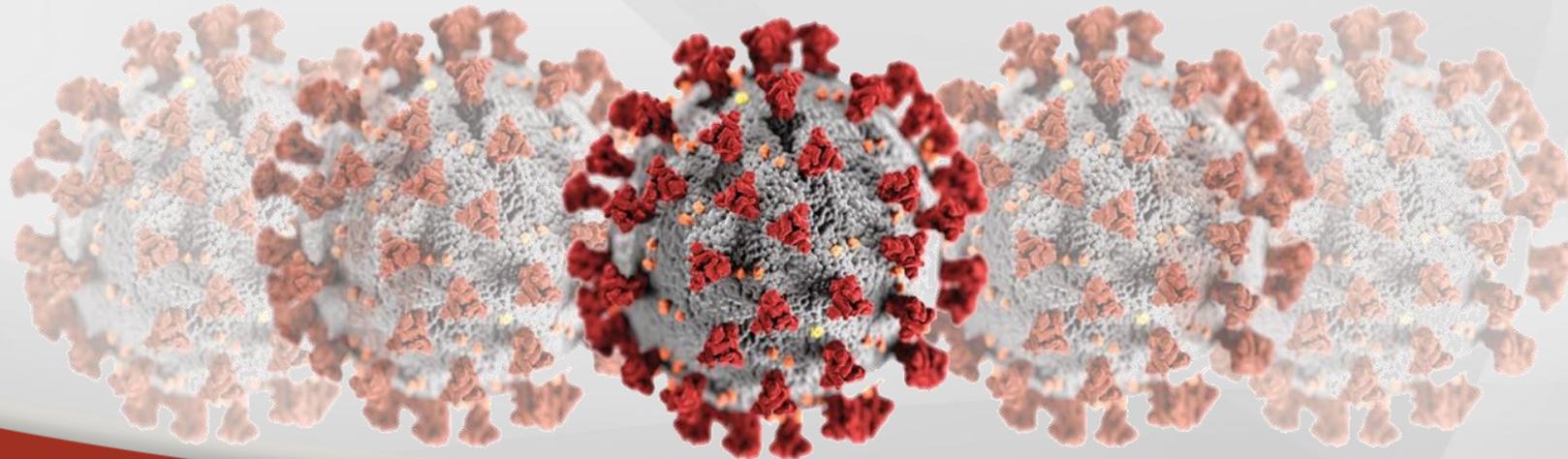
Must provide paid sick time “to the extent the employee is unable to work (or telework) due to a need for leave because:

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 an order or self-quarantine as described above.
5. The employee is caring for a son or daughter if school or child care is closed/unavailable.
6. The employee is experiencing “any other substantially similar condition” specified by HHS (catch all).



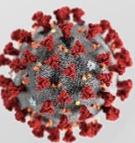
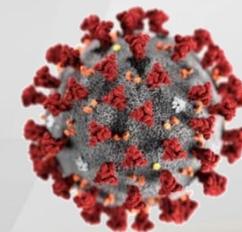
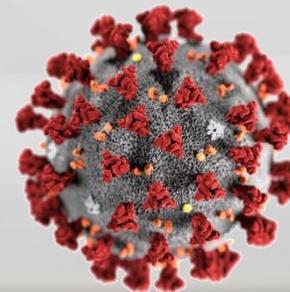
# EMERGENCY PAID SICK LEAVE

- **At employee's regular rate for qualifying reasons (1), (2) or (3)**
  - Compensated at HIGHER of their regular rate, federal minimum wage or local minimum wage
- **At 2/3 the employee's regular rate for qualifying reasons (4), (5) or (6)**
- **Capped at the following levels:**
  - \$511 per day and \$5,110 in the aggregate per person for qualifying reasons (1), (2) and (3).
  - \$200 per day and \$2,000 in the aggregate per person for qualifying reasons (4), (5) and (6).



# EMERGENCY PAID SICK LEAVE CONT.

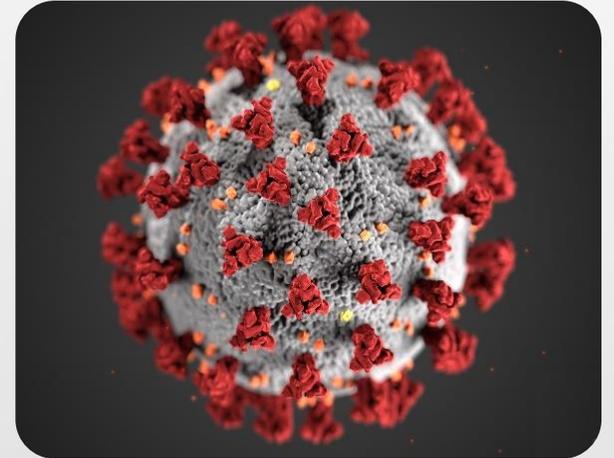
- **Exemption**
  - An employer of an employee who is a health care provider or an emergency responder may elect to exclude such employee from the application of this section.
- **Secretary of Labor has the authority for good cause to issue regulations:**
  - To exclude certain health care providers and emergency responders from the definition of “eligible employee”
  - To exempt small businesses with fewer than 50 employees from leave to care for a son or daughter if school or child care is closed/unavailable when the imposition of such requirement would jeopardize the viability of the business as a going concern
  - “As necessary” (catch-all)



# EMERGENCY PAID SICK LEAVE CONT.

## Additional General Rules

- Sick leave does not carry over
- Employer may not require employee as a condition of paid leave to find a replacement to cover scheduled hours
- Employee may first use this paid sick time under this law before other paid leave
- Employer may not require employee to use other paid leave provided by the employer before using this paid sick leave



# EMERGENCY PAID SICK LEAVE Notice Requirements

- **Employers:** Employers must post a notice regarding the requirements of the law.
  - The Secretary of Labor is required to make a model notice publicly available no later than 7 days after enactment of the new law.
- **Employees:** After the first workday (or portion thereof) an employee receives paid sick leave, the employer may “require the employee to follow reasonable notice procedures in order to continue receiving such paid sick time.”
- *Law goes into effect no later than 15 days after enactment of the Act, until 12/31/2020*
  - *Your business will have 15 days to comply*

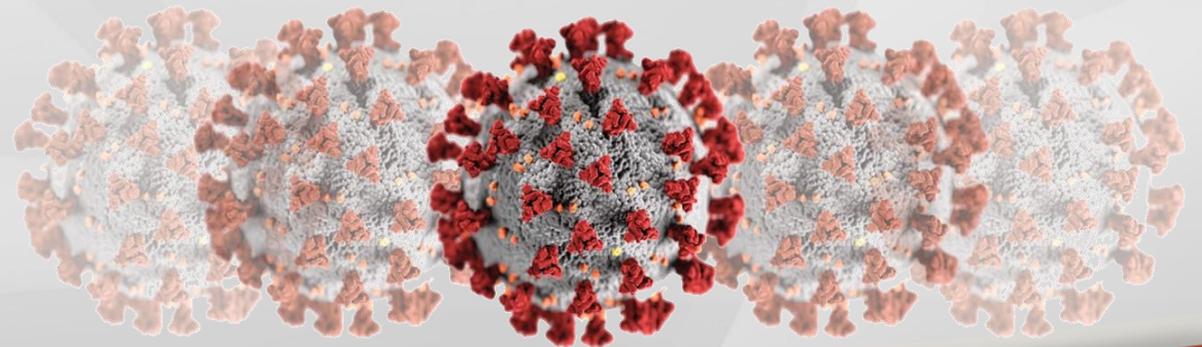


Requirements

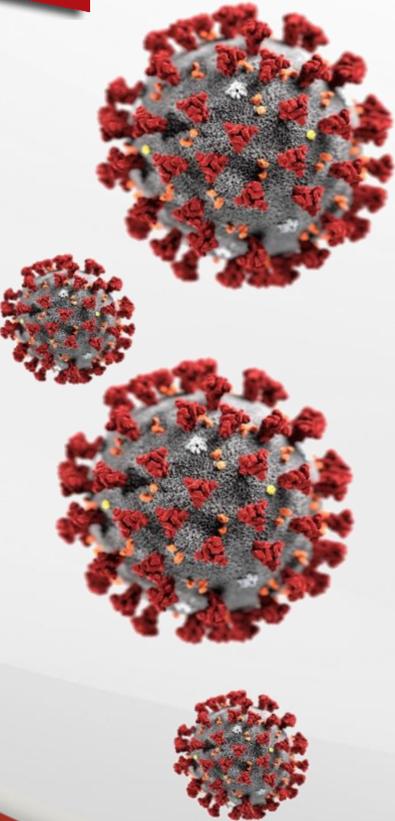


# EMERGENCY PAID SICK LEAVE Tax Credits

- Employers subject to the requirements are entitled to a refundable tax credit equal to the amount of the qualified paid sick leave requirements paid by the employer per quarter.
- The tax credits for qualified paid sick leave wages are capped at
  - \$511 per day per person for qualifying reasons (1), (2) and (3).
  - \$200 per day per person for qualifying reasons (4), (5) and (6).
- The tax credits are applied against employer Social Security taxes, but employers are reimbursed if their costs for qualified leaves exceed the taxes they would owe.



# EMERGENCY PAID SICK LEAVE Tax Credits

- 
- IRS has said they will be issuing guidance to address the “cash flow” challenge created by this tax credit.
  - Guidance will allow employers to retain an amount of payroll taxes equal to the amount of paid leave that they paid, rather than deposit them with the IRS...in anticipation of the tax credit.
  - Example:
    - “If an eligible employer paid \$5,000 in sick leave and is otherwise required to deposit \$8,000 in payroll taxes, including taxes withheld from all employees, the employer could use up to \$5,000 of the \$8,000 of taxes it was going to deposit for making qualified leave payments. The employer would only be required under the law to deposit the remaining \$3,000 on its next regular deposit date.”

# **EMERGENCY FAMILY AND MEDICAL LEAVE**

# EMERGENCY FAMILY AND MEDICAL LEAVE ACT

- **Employers with 1-499 employees**
  - How do you count employees? When are separate entities combined?
- **Significantly expands FMLA on a temporary basis**
- **Any employee who worked for employer for 30 days prior to leave and has a qualifying reason is eligible (no requirement of 12 months/1250 hours)**
- **Provides up to 12 weeks of job-protected leave (paid after the first 10 days)**



# EMERGENCY FAMILY AND MEDICAL LEAVE ACT

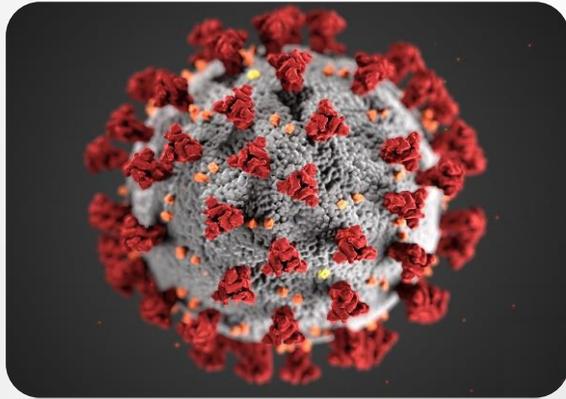
## Qualifying Reasons

### 12 weeks of job protected leave when:

- “The employee is unable to work (or telework) due to the need for leave to care for the son or daughter under 18 years of age of such employee if the school or place of care has been closed, or the child care provider of such son or daughter is unavailable, due to a public health emergency.”
- Likely FMLA definition of “son or daughter” will apply.

### “Public Health Emergency”

- An emergency with respect to COVID-19 declared by a Federal, State or local authority



# EMERGENCY FAMILY AND MEDICAL LEAVE ACT

## How Does it Work

- **First 10 days of EFMLA may be unpaid**
  - An employee may elect to substitute accrued PTO, vacation, or sick leave to cover any portion of first 10 days
  - Employer cannot require an employee to substitute such leave
- **After the first 10 days:**
  - Compensated at 2/3 of the regular rate
  - Part-time employees/irregular schedule entitled to be paid based on average number of hours employee worked in prior 6 months, or if employed less than 6 months, average number of hours employee would normally be scheduled to work
  - **Pay capped at \$200 per day and \$10,000 in aggregate per employee**
  - Bargaining unit employees – apply EFMLA consistent with the CBA

# EMERGENCY FAMILY AND MEDICAL LEAVE ACT



- **Exemption**
  - An employer of an employee who is a health care provider or an emergency responder may elect to exclude such employee from the application of this section.
- **Secretary of Labor has the authority for good cause to issue regulations:**
  - To exclude certain health care providers and emergency responders from the definition of “eligible employee”
  - To exempt small businesses with fewer than 50 employees from the new law when the imposition of such requirements would jeopardize the viability of the business as a going concern

# EMERGENCY FAMILY AND MEDICAL LEAVE ACT

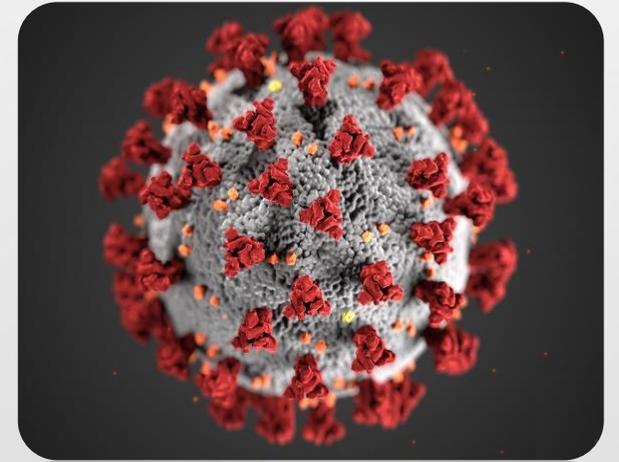
## Job Restoration/Reinstatement

- If 25 or more employees, traditional restoration obligation
- If **fewer than 25 employees**, the traditional job reinstatement provisions of the FMLA do not apply **IF** the following conditions are met (note this **does not excuse** provision of E-FMLA):
  - The employee takes E-FMLA
  - The position the employee held when the leave started does not exist due to economic conditions or other changes in operating conditions of the employer (i) that affect employment; and (ii) are caused by a public health emergency during the period of leave
  - The employer makes reasonable efforts to restore the employee to an equivalent position, with equivalent pay, benefits, and other terms
  - If reasonable efforts to restore to an equivalent position fail, the employer makes reasonable efforts to contact the employee if an equivalent position becomes available during the 1 year period beginning on the earlier of (A) the date on which the qualifying need related to a public health emergency concludes; or (B) the date that is 12 weeks after the date on which the employee's leave for E-FMLA commences.

# EMERGENCY FAMILY AND MEDICAL LEAVE ACT

## Interplay with Other Paid Leave

- Full-time employees may take Emergency Paid Sick Leave for first 80 hours of EFMLA leave so that it is paid
- Employees may also elect to use other accrued paid leave (e.g. vacation and PTO) during the first 10 days
- Unclear if eligibility for EFMLA and FMLA (for other non-COVID-19 related reasons) is 12 weeks total. Statutory construction supports an argument this does not increase the overall 12 weeks FMLA requirement.
- This may be something the Senate tries to clarify in subsequent legislation or is clarified in guidance. The intent was likely to make this “in addition to” traditional FMLA.



# EMERGENCY FAMILY AND MEDICAL LEAVE ACT

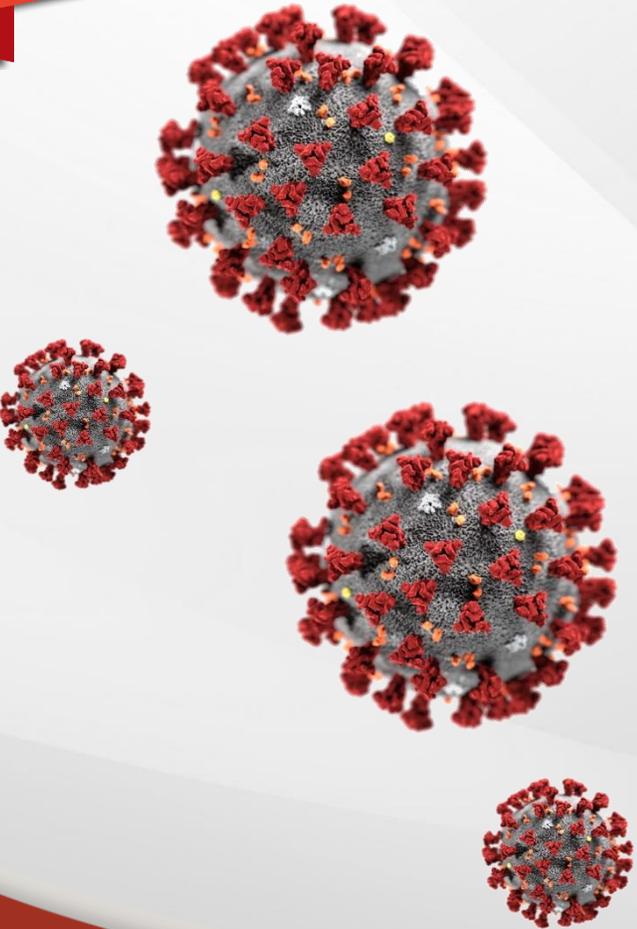
## Notice Requirements

- **Employers:** No new specific notice requirement. However, under the FMLA, all covered employers must display a general notice (FMLA poster) about the FMLA.
- **Employees:** Where the necessity for leave is foreseeable, an employee shall provide the employer with notice of leave “as is practicable.”
- *Law goes into effect no later than 15 days after enactment of the Act*
  - *Your business will have 15 days to comply*

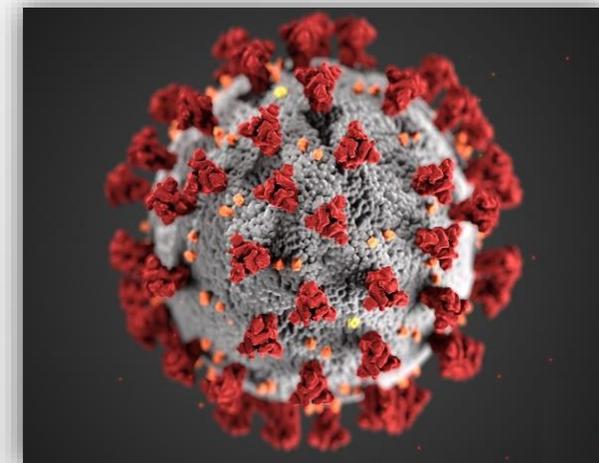


# EMERGENCY FAMILY AND MEDICAL LEAVE ACT

## Tax Credits

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- Employers subject to the requirements are entitled to a tax credit equal to the amount of the paid family and medical leave requirements paid by the employer.
  - The tax credits for qualified wages are capped at \$200 per day and \$10,000 per calendar quarter per employee.
  - The tax credits are applied against employer Social Security taxes, but employers are reimbursed if their costs for qualified leaves exceed the taxes they would owe.

# EMERGENCY PAID SICK LEAVE Tax Credits



- IRS has said they will be issuing guidance to address the “cash flow” challenge created by this tax credit.
- Guidance will allow employers to retain an amount of payroll taxes equal to the amount of paid leave that they paid, rather than deposit them with the IRS...in anticipation of the tax credit.

- Example:

*“If an eligible employer paid \$5,000 in sick leave and is otherwise required to deposit \$8,000 in payroll taxes, including taxes withheld from all employees, the employer could use up to \$5,000 of the \$8,000 of taxes it was going to deposit for making qualified leave payments. The employer would only be required under the law to deposit the remaining \$3,000 on its next regular deposit date.”*

# KEY HEALTH PROVISIONS



- Requires insured and self-insured group health plans to provide coverage for COVID-19 diagnostic testing without cost sharing (including deductibles, copayments and coinsurance)
- Requires insured and self-insured group health plans to cover provider and facility costs associated with COVID-19 diagnostic testing visits

# PENDING SENATE PROPSAL

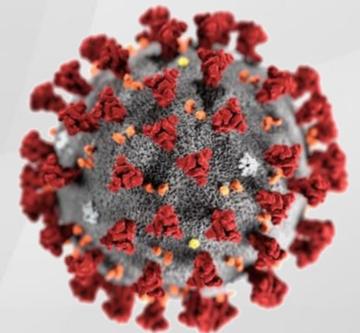
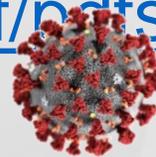
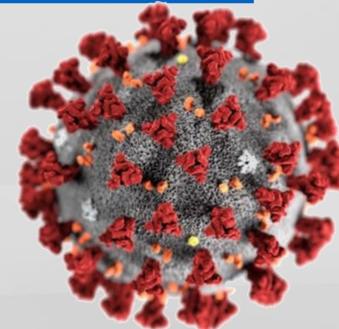
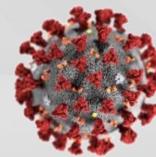


## Senate is Negotiating Big “Stage 3” Economic Relief Bill (S. 3548):

- *Still only pending at this point*
- *Includes small business loans up to \$10 million to help with payroll (including these new paid leave requirements)*
  - *Loans will be forgiven.*
  - *But amount of forgiveness will be reduced if you lay off workers or reduce compensation more than 25%.*
  - *If passes, may help businesses be able to keep workers employed and pay these new leave requirements.*
- *Allows emergency FMLA leave to be used for employees who were laid off on or after March 1, 2020 but are rehired.*

# A FEW THINGS TO KEEP IN MIND

- We are still waiting for DOL guidance on the FFCRA
- Layoff v. reduction-in-force v. furlough ... think through the consequences (unemployment comp, benefit continuation, FFCRA)
- Federal and state laws, orders and guidance can change things
- <https://www.fisherphillips.com>
- [https://www.dol.gov/sites/dolgov/files/ETA/Layoff/pdfs/\\_EmployerWARN2003.pdf](https://www.dol.gov/sites/dolgov/files/ETA/Layoff/pdfs/_EmployerWARN2003.pdf)
- <http://jfs.ohio.gov/ouio/CoronavirusAndUI.stm>
- <https://coronavirus.ohio.gov>



# Summary of Families First COVID-19 Response Act (Enacted 03/18/2020)

	<b>Emergency Paid Sick Leave</b>	<b>Emergency Family and Medical Leave</b>
<b>Covered Employers</b>	Private sector employers with fewer than 500 employees. Public agencies that employ 1 or more persons.	Private sector employers with fewer than 500 employees. Public employers regardless of size.
<b>Leave for What Purposes</b>	<p>Must provide paid sick time “to the extent the employee is unable to work (or telework) due to a need for leave because:</p> <ol style="list-style-type: none"> <li>(1) The employee is subject to a federal, state or local quarantine or isolation order related to COVID-19.</li> <li>(2) The employee has been advised by a health care provider to self-quarantine due to concerns related to COVID-19.</li> <li>(3) The employee is experiencing symptoms of COVID-19 and seeking a medical diagnosis.</li> <li>(4) The employee is caring for an individual who is subject to an order or self-quarantine as described above.</li> <li>(5) The employee is caring for a son or daughter if school or child care is closed/unavailable.</li> <li>(6) The employee is experiencing “any other substantially similar condition” specified by HHS (catch all).</li> </ol>	<p>Any employee who has been employed for at least 30 days is entitled to:</p> <p>12 weeks of job protected leave when:</p> <ul style="list-style-type: none"> <li>• “The employee is unable to work (or telework) due to the need for leave to care for the son or daughter under 18 years of age of such employee if the school or place of care has been closed, or the child care provider of such son or daughter is unavailable, due to a public health emergency.”</li> </ul> <p>“Public Health Emergency” is defined to mean</p> <ul style="list-style-type: none"> <li>• An emergency with respect to COVID-19 declared by a Federal, State or local authority.</li> </ul>

*Please note: This is a summary of preliminary information, so please contact your Fisher Phillips attorney for the most up to date information or with any questions.*

# Summary of Families First COVID-19 Response Act (Enacted 03/18/2020)

	<b>Emergency Paid Sick Leave</b>	<b>Emergency Family and Medical Leave</b>
<b>Duration</b>	Two weeks (80 hours for full-time employees and typical number of hours over two weeks for part-time employees).	Up to twelve weeks (the first 10 days of which are unpaid). <ul style="list-style-type: none"> <li>The employee may elect to substitute any accrued paid leave (including emergency paid sick leave) during this 10-day period. The employer may not require the employee to substitute paid leave.</li> </ul>
<b>Exemptions</b>	<p><b>Exemption</b> An employer of an employee who is a health care provider or an emergency responder may elect to exclude such employee from the application of this section.</p> <p><b>Secretary of Labor has the authority for good cause to issue regulations:</b></p> <ul style="list-style-type: none"> <li>To exclude certain health care providers and emergency responders from the definition of “eligible employee.”</li> <li>To exempt small businesses with fewer than 50 employees from leave to for a son or daughter if school or child care is closed/unavailable when the imposition of such requirement would jeopardize the viability of the business as a going concern.</li> <li>“As necessary” (catch-all).</li> </ul>	<p><b>Exemption</b> An employer of an employee who is a health care provider or an emergency responder may elect to exclude such employee from the application of this section.</p> <p><b>Secretary of Labor has the authority for good cause to issue regulations:</b></p> <ul style="list-style-type: none"> <li>To exclude certain health care providers and emergency responders from the definition of “eligible employee”</li> <li>To exempt small businesses with fewer than 50 employees from the new law when the imposition of such requirements would jeopardize the viability of the business as a going concern</li> </ul>

# Summary of Families First COVID-19 Response Act (Enacted 03/18/2020)

	<b>Emergency Paid Sick Leave</b>	<b>Emergency Family and Medical Leave</b>
<b>Rate of Pay</b>	<p>The higher of their regular rate of pay, the federal minimum wage, or the local minimum wage for qualifying reasons (1), (2) and (3), above.</p> <ul style="list-style-type: none"> <li>• <b>Capped at \$511 per day and \$5,110 in the aggregate per person.</b></li> </ul> <p>Two-thirds the regular rate of pay for qualifying reasons (4), (5) and (6), above.</p> <ul style="list-style-type: none"> <li>• <b>Capped at \$200 per day and \$2,000 in the aggregate per person.</b></li> </ul>	<p>After 10 days, employees are compensated at 2/3 of their regular rate of pay.</p> <ul style="list-style-type: none"> <li>• <b>Capped at \$200 per day and \$10,000 in the aggregate per person.</b></li> </ul>
<b>Funding (Tax Credits)</b>	<p>Each quarter, private sector employers subject to the requirement are entitled to a tax credit equal to the amount of qualified sick leave wages paid by the employer (subject to the same caps as apply to the leave amount paid).</p>	<p>Each quarter, private sector employers subject to the requirement are entitled to a tax credit equal to the amount of qualified sick leave wages paid by the employer (subject to the same caps as apply to the leave amount paid).</p>
<b>Relationship to Other Law/Policies</b>	<p>The bill also states that it shall not be construed in any way to diminish the rights of benefits that an employee is entitled to under any other federal, state or local law.</p>	<p>There is nothing in the new law to suggest this gives an employee more than a total of 12 weeks of leave in a 12-month period under the FMLA.</p> <ul style="list-style-type: none"> <li>• This enactment adds new qualifying reasons for leave under the FMLA, but does not expand the total of 12 weeks under the FMLA.</li> </ul>
<b>Effective Date and Sunset</b>	<p>No later than 15 days after enactment. Sunsets December 31, 2020.</p>	<p>No later than 15 days after enactment. Sunsets December 31, 2020.</p>

# SCENARIO 1

Sally has been employed full-time for 20 days at a dealership that employs 40 people. Sally is not eligible to receive any paid time off under the dealer's policies.

Sally has a sore throat and a fever of 100.7 and cannot report to work. Sally is waiting to be seen by her doctor. Under the FFCRA, what benefits is Sally entitled to while she is not working?

- Emergency Paid Sick Leave – 80 hours at her regular rate
- Sally would not be entitled to EFMLA because she was not employed for at least 30 days prior to the first day of her leave
- Regular rate = total compensation in the workweek ÷ number of hours worked in the workweek

# SCENARIO 2

Sally has been employed full-time for 45 days at a dealership that employs 40 people. As of today, Sally has accrued three (3) days of Paid Time Off under the dealer's Policies.

The school where Sally's fourth-grade daughter attends is closed until the end of April. Sally is unable to work from home during this time. What benefits is Sally entitled to receive during this time under the FFCRA?

- Emergency Paid Sick Leave – 80 hours at 2/3 her regular rate of pay
- Emergency Family and Medical Leave Act – up to 12 weeks of job-protected leave
  - The first ten (10) days is unpaid (but could be paid at 2/3 her regular rate of pay under Emergency Sick Leave).
  - After the 10 days, Sally is paid at 2/3 her regular rate of pay
  - Sally may elect use her 3 days of PTO, but she cannot be required to

# IF WE HAVE TIME ....

## BENEFITS WHILE LAID OFF / FURLOUGHED

- Ohio order: “Health insurers must allow employers to continue covering employees even if the employees would otherwise become ineligible for insurance because of a decrease in work hours.
- What is not clear is if employers *must* pass this on to their employees.
- The Ohio Department of Insurance can only govern contracts of insurance, not the underlying plans, which are pre-empted by ERISA.
- If want to take advantage of 60-day insurance payment deferral, should also pass that along to your employees

## LAYOFF V. FURLOUGH

- Furlough – employees continue employment, usually through reduced hours or reduced schedule (e.g., 3 days/week or work every other week)
  - Be careful with salaried exempt employees
- Layoff – usually elimination of position or group of employees. Can be permanent (no recall) or temporary (recall intended). Permanent layoffs are better described as Reduction In Force. **Active employment ends as of the layoff date.** Not eligible for benefits under FFCRA.

# Thank You Questions?



Presented by:

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