



TaxNewsFlash

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IRS updates FAQs on paid sick and family leave credits

The IRS today updated a set of "[frequently asked questions](#)" ([FAQs](#)) concerning the paid sick and family leave tax credits under the "American Rescue Plan Act of 2021" (Pub. L. No. 117-2).

According to today's IRS [release](#) [PDF 612 KB] the FAQs were updated to add two new questions:

- Q54g – Special Issues for Employers: Other Issues
- Q65c – Specific Provisions Related to Self-Employed Individuals

Text of the new FAQs (March 3, 2022)

54g. Is an Eligible Employer that claims the tax credits for qualified leave wages paid after December 31, 2021, for leave taken by an employee in 2020 or 2021 required to furnish to the employee a Form W-2c to correct the amount of sick leave and family leave wages reported in Box 14 of the employee's 2020 and/or 2021 Form W-2? (added March 3, 2022)

Yes. If an Eligible Employer reports sick leave or family leave wages paid after December 31, 2021, for leave taken by an employee after March 31, 2020, and before April 1, 2021, and claims a credit for those sick and family leave wages, the Eligible Employer must either (1) furnish to the employee a Form W-2c, Corrected Wage and Tax Statement, reporting the corrected amounts of sick leave and family leave wages (to include the qualified leave wages paid after December 31, 2021) in Box 14, or (2) provide a corrected statement to the employee correcting the prior reporting.

For qualified leave wages paid after December 31, 2021, for leave taken in 2020, the Eligible Employer must furnish a Form W-2c (or provide a corrected statement) to the employee that corrects the leave wage amounts reported in Box 14 (or in a separate statement) of the employee's 2020 Form W-2, Wage and Tax Statement. For qualified leave wages paid after December 31, 2021, for leave taken in 2021, the Eligible Employer must furnish a Form W-2c (or provide a corrected statement) to the employee that corrects leave wage amounts reported in Box 14 (or in a separate statement) of the employee's 2021 Form W-2. The Eligible Employer should not file a Form W-2c with the SSA solely to correct the amount in Box 14.

65c. If a self-employed individual who claimed the self-employed equivalent leave credit receives a Form W-2c from an employer reporting corrected qualified sick and/or family

leave wages received for the period beginning April 1, 2020, and ending March 31, 2021, should the individual file an amended tax return? (added March 3, 2022)

It depends. If a self-employed individual who claimed the qualified leave equivalent credits for sick and/or family qualified leave amounts for the period beginning April 1, 2020, and ending March 31, 2021, receives a Form W-2c, Corrected Wage and Tax Statement, reporting corrected amounts of sick and/or family leave wages in Box 14 for this period, the individual will need to recalculate those credits on the appropriate Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals, using the corrected sick and/or family leave wage amounts and must file a Form 1040-X, Amended U.S. Individual Income Tax Return if the amount of the qualified leave equivalent credits changes.

If the self-employed individual receives a Form W-2c reporting corrected wages paid during the 2020 tax year, and claimed the self-employed equivalent leave credit for 2020, the individual must recalculate the credit on the 2020 Form 7202. If the amount of the qualified leave equivalent credit changes, the individual must file a Form 1040-X for 2020 with the corrected amounts from the Form 7202.

If the self-employed individual receives a Form W-2c reporting corrected wages paid during the 2020 tax year and claimed the qualified leave equivalent credit for the period beginning January 1, 2021, and ending March 31, 2021, from parts I and/or II of a 2021 Form 7202, the individual must recalculate the credit on the Form 7202. If the amount of the qualified leave equivalent credit has changed from the amount claimed on the individual's 2021 Form 1040, U.S. Individual Income Tax Return, the individual must file a Form 1040-X for 2021 with the corrected amounts from the Form 7202.

If the self-employed individual receives a Form W-2c reporting corrected wages paid during the period beginning January 1, 2021, and ending March 31, 2021, and claimed the self-employed equivalent leave credit for this period, the individual must recalculate the credit on the 2021 Form 7202. If the amount of the qualified leave equivalent credit changes, the individual must file a Form 1040-X for 2021 with the corrected amounts from the Form 7202.

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