

Special 2020 W-2 Reporting Mandated for Qualified Sick and Family Leave Wages

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On July 8, 2020, the IRS released Notice 2020-54 (the “Notice”), which mandates 2020 W-2 reporting of qualified sick and family leave wages paid to employees under the Families First Coronavirus Response Act (the Act). Employers that are subject to these paid leave requirements should confirm that their Form W-2 reporting will meet the new requirements.

The Act contains two parts: (1) Emergency Paid Sick Leave Act (EPSLA), and (2) the Emergency Family and Medical Leave Expansion Act (EFMLEA). In short, employers with fewer than 500 employees are required to provide mandatory sick and family leave pay to employees unable to work as a result of COVID-19. These payments are taxable wages, and will be reported in boxes 1, 3, and 5 of the 2020 Form W-2. But the Notice provides that in addition, box 14 (which is typically an optional box), or a separate statement provided in the same manner and at the same time as the W-2, must disclose the amounts received by the employee, as follows:

1. “sick leave wages subject to the \$511 per day limit” [enter total paid under Section 5102(a)(1), (2), and (3) of the EPSLA (i.e., paid sick leave for an employee to care for himself or herself).]
2. “sick leave wages subject to the \$200 per day limit” [enter total paid under Section 5102(a)(4), (5), and (6) of the EPSLA (i.e., paid sick leave for an employee to care for other individuals).]
3. “emergency family leave wages” [enter total paid under the EFMLEA]

The Notice explains that this information is important so that any employees who also have self-employment income can properly reflect the reduction of the credit available for providing these benefits on Form 7202 (which is not yet available). In that vein, the Notice also provides the following model instructions that can be provided to employees with the Instructions to

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Form W-2 or in a separate statement (but providing this additional information is fully optional and not mandated):

“Included in Box 14, if applicable, are amounts paid to you as qualified sick leave wages or qualified family leave wages under the Families First Coronavirus Response Act. Specifically, up to three types of paid qualified sick leave wages or qualified family leave wages are reported in Box 14:

- Sick leave wages subject to the \$511 per day limit because of care you required;
- Sick leave wages subject to the \$200 per day limit because of care you provided to another; and
- Emergency family leave wages.

If you have self-employment income in addition to wages paid by your employer, and you intend to claim any qualified sick leave or qualified family leave equivalent credits, you must report the qualified sick leave or qualified family leave wages on Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals, included with your income tax return and reduce (but not below zero) any qualified sick leave or qualified family leave equivalent credits by the amount of these qualified leave wages. If you have self-employment income, you should refer to the instructions for your individual income tax return for more information.”

Next Steps

Employers subject to the paid leave requirements of the Act should check with their payroll providers to make sure this information is captured and will be provided with the 2020 Forms W-2. This requirement applies even to employers that don't anticipate any of their employees having self-employment income.

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