

IRS releases draft coronavirus payroll tax credit forms

It's no April Fools joke. Quick as jackrabbit, the IRS has released a new draft form and draft instructions for employers that elect to take any of the payroll tax credits contained in the [Families First Coronavirus Response Act](#) and the [Coronavirus Aid, Relief, and Economic Security Act](#).

Form 7200

[Form 7200, Advance Payment of Employer Credits Due to COVID-19](#), should be filed by employers that can't reduce their payroll tax deposits to fully account for any of the credits they expect to claim on their Form 941. It's meant to implement the CARES Act's advanceable payroll credit.

Example. MediumCo pays \$10,000 in sick leave and is required to deposit \$8,000 in taxes. It can use the entire \$8,000 to make qualified leave payments to its employees and file Form 7200 for the \$2,000 advanceable credit.

There are three caveats to heed about Form 7200:

- Apparently, Form 941 for the second, third, and fourth quarters will need to be revised to account for the reduced payroll deposits
- Don't reduce your payroll tax deposits and request advanced credits for the same expected credits (i.e., there's no double dipping)
- You will need to reconcile your advanced credits and reduced deposits on your Form 941.

Requests for advances are reported in Part II. Part II makes clear that you must net out your total credits—the employee retention credit, emergency paid sick leave, and paid FMLA leave—against any reduction in your payroll deposits and against any previous advances requested during the same calendar quarter.

Name (not your trade name)		Employer identification number (EIN)
Trade name (if any)		Applicable calendar quarter (check one) (2) <input type="checkbox"/> April, May, June (3) <input type="checkbox"/> July, August, September (4) <input type="checkbox"/> October, November, December
Number, street, and apt. or suite no. If a P.O. box, see instructions.		
City or town, state, and ZIP code. If a foreign address, also complete spaces below. (See instructions.)		
Foreign country name	Foreign province/country	Foreign postal code
Does a third-party payer file your employment tax return? (See instructions.) If "Yes," enter its name.		Third-party payer's EIN (if applicable)

Tip: File Form 7200 if you can't reduce your employment tax deposits to fully account for these credits that you expect to claim on your employment tax return for the applicable quarter. Don't reduce your employment tax deposits and request advanced credits for the same expected credits. You will need to reconcile your advanced credits and reduced deposits on your employment tax return. You can't request an advance payment of the credit for sick and family leave for self-employed individuals.

Part I Tell Us About Your Employment Tax Return

A Check the box to indicate which employment tax return form you file (or will file for 2020):
(1) 941, 941-PR, or 941-SS **(2)** 943 or 943-PR **(3)** 944 or 944(SP) **(4)** CT-1

B Is this a new business started on or after January 1, 2020? ▶ Yes No
 If "Yes," skip line C unless you've already filed Form 941, Form 941-PR, or Form 941-SS for at least one quarter of 2020.

C Amount reported on line 2 of your most recently filed Form 941 (or wages reported on Schedule R (Form 941), column (c), by your third-party payer (see instructions)). If you file a different employment tax return, see instructions ▶ _____

D Enter the total number of employees you have. See instructions ▶ _____

Part II Enter Your Credits and Advance Requested

1	Total employee retention credit for the quarter	1	
2	Total qualified sick leave wages eligible for the credit and paid this quarter. See instructions	2	
3	Total qualified family leave wages eligible for the credit and paid this quarter. See instructions	3	
4	Add lines 1, 2, and 3	4	
5	Total amount by which you have already reduced your federal employment tax deposits for these credits for this quarter	5	
6	Total advanced credits requested on previous filings of this form for this quarter	6	
7	Add lines 5 and 6	7	
8	Advance requested. Subtract line 7 from line 4. If zero or less, don't file this form	8	

Third-Party Designee Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details. Yes. Complete below. No

Designee's name ▶ _____ and phone number ▶ _____

Select a 5-digit personal identification number (PIN) to use when talking to the IRS ▶ [] [] [] [] []

Sign Here Under penalties of perjury, I declare that I have examined this form, including any accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Printed title
Printed name	Best daytime phone	

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	PTIN	Check <input type="checkbox"/> if self-employed
Firm's name ▶	Firm's EIN ▶			
Firm's address ▶	Phone no.			

How To File Fax your completed form to 855-248-0552.

Instructions

The [instructions](#) provide a decent explanation of the payroll tax credits contained in the Families First Coronavirus Response Act or the Coronavirus Aid, Relief, and Economic Security Act. They also clarify that, if necessary, you can file Form 7200 several times during a quarter. If you made a mistake completing Form 7200, don't worry, you'll fix everything up on that quarter's Form 941.

The instructions remind employers to keep the following records related to their advances:

- Documentation to show how you figured the amount of qualified sick and family leave wages eligible for the credit

- Documentation to show how you figured the amount of the employee retention credit
- Documentation to show how you figured the amount of qualified health plan expenses that you allocated to wages
- Documentation to show how you determined the employees who were qualified to receive sick and family leave wages, including any additional information set out in Frequently Asked Questions or other guidance on irs.gov
- Documentation to show your eligibility for the employee retention credit based on suspension of operations or significant decline in gross receipts
- Copies of completed Form(s) 7200 you filed with the IRS.

Example

The IRS generally frowns on you filing more than one form per quarter. So, if you plan on filing multiple Forms 7200, you're going to need to keep track, since the amounts entered on lines 1, 2, 3, 5, and 6 in Part II are cumulative totals for the quarter.

Here's how this works out.

SmallCo files its first Form 7200 on April 10, 2020. It reports \$5,000 on Line 1 and reduced deposits of \$3,500 on Line 5. SmallCo wants to file another Form 7200 on April 24, 2020, because it has a \$7,000 employee retention credit to report on Line 1 and it reduced deposits of \$4,000 to account for the credit on Line 5.

Part II of SmallCo's April 24 Form 7200 is completed as follows:

Part II Enter Your Credits and Advance Requested			
1	Total employee retention credit for the quarter		12,000
2	Total qualified sick leave wages eligible for the credit and paid this quarter. See instructions		
3	Total qualified family leave wages eligible for the credit and paid this quarter. See instructions		
4	Add lines 1, 2, and 3		12,000
5	Total amount by which you have already reduced your federal employment tax deposits for these credits for this quarter	5	7,500
6		1,500	
7	Add lines 5 and 6		9,000
8	Advance requested. Subtract line 7 from line 4. If zero or less, don't file this form		3,000