New tax credit for employers who provide paid family and medical leave

Tax reform legislation passed in December 2017 offers a new tax credit for employers who provide paid family and medical leave.

The credit is available for wages paid in tax years beginning after December 31, 2017, and before January 1, 2020. Some employers can claim the credit retroactively to the beginning of their first tax year that begins after December 31, 2017. To qualify they must meet the requirements of the transition rule before December 31, 2018.

Eligibility

To be eligible for the credit, an employer must have a written policy in place that provides:

- At least two weeks of paid family and medical leave annually to full-time employees (prorated for part-time employees).
- Pay for family and medical leave that is at least 50 percent of the wages normally paid to the employee.

Limits

Generally, for tax-year 2018, the employee’s 2017 compensation from the employer must be $72,000 or less for the paid leave to qualify for the credit.

Credit amount

The credit ranges from 12.5 percent to 25 percent of paid family and medical leave for qualifying employees.