

Form 7200 Explanation Guide

Families First Coronavirus Response Act Wages, Employee Retention Tax Credit Wages, COBRA Subsidy and Tax Credit Wages, and Form 7200 (Advance Payment of Employer Credits Due to COVID-19)

Overview

Starting in 2020, the Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act both provide refundable tax credits for qualifying wages:

- Employee Retention Tax Credit (ERTC)
- Refund of wages paid for qualified sick leave (FFCRA)
- Refund of wages paid for qualified family leave (FFCRA)
- Starting in second quarter 2021, employers can also claim the COBRA Subsidy and Tax Credit on Form 7200

Paychex PEO clients have two options to receive these credits amounts:

1. Paychex PEO applies the amount of the credit to the federal tax liability

In most cases this is the quickest way to receive the credit. If the refunds for the quarter are more than the liability for the quarter, this will show as an overpayment on Form 941 for the quarter and you will receive a refund from the Internal Revenue Service (IRS).

Important – If you chose this option, you should not file Form 7200.

2. Complete and file a Form 7200 with the Internal Revenue Service (IRS)

Key Information about filing Form 7200

- You must inform Paychex PEO if you are filing one or more Forms 7200 and provide us with copies of the returns you filed. If you do not inform us, we will continue to apply the credits to your future payrolls and your COVID-19 tax credits will be overstated. As a result, you could incur penalties and interest.

- **You must still report COVID-19 wages to Paychex PEO so that we can include them on the Form 941.** This is the way the IRS substantiates the COVID-19 tax credits; not the Form 7200. The Form 7200 is simply the way employers can receive an advance on their COVID-19 tax credits.
- FFCRA, ERTC, and COBRA Subsidy and Tax Credits need to be reported by employers in the quarter where the wages were paid..
- We have safeguards in place to ensure that when we report these tax credits on Form 941 and you have filed Form 7200, you do not receive the 7200 credit twice and end up in a penalty situation.
- The last day the IRS will accept Form 7200 filing is the **last day of the quarter, or whenever the Form 941 is filed, whichever date is earlier.** Please note that the PEO typically files the 941 before the end of the month.

IRS Provides Update on Form 7200 May 19, 2021

The IRS has advised that taxpayers cannot file the old version of Form 7200 for any second quarter 2021 advances. They must use the [updated version](#) of Form 7200 released on May 18, 2021 must be used to claim advances for second quarter 2021.

For the detailed instructions from the IRS, [click here](#).

Any Forms 7200 filed claiming an advance for second quarter 2021 using the January 2021 (or prior) revision of the form will be rejected.

Form 7200 Instructions Starting in Second Quarter 2021.

For more details about how to complete this form when processing payroll with Paychex PEO, click [here](#).

Advance Payment of Employer Credits Due to COVID-19

OMB No. 1545-0029

▶ Go to www.irs.gov/Form7200 for instructions and the latest information.

Name (not your trade name)			Employer identification number (EIN)	
Trade name (if any)			Applicable calendar quarter in 2021 (check only one box) Caution: See instructions before completing to determine if the credits and advance are available for the applicable quarter in 2021. (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/county	Foreign postal code		
Name on employment tax return (third-party payer) that will report the wages and credits related to the advance you're requesting in Part II (leave blank if return is filed under your name and EIN). See instructions.			EIN on employment tax return (if other than your own)	

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 2021). Check only one box. (1) <input type="checkbox"/> 941, 941-PR, or 941-SS (2) <input type="checkbox"/> 943 or 943-PR (3) <input type="checkbox"/> 944 (4) <input type="checkbox"/> CT-1
B	Enter the total number of employees to whom you paid qualified wages eligible for the employee retention credit this quarter ▶ _____
C	Amount reported on line 2 of your most recently filed Form 941 (or wages reported on Schedule R (Form 941), column (d), by your third-party payer (see instructions)). If you file a different employment tax return or have never filed one, see instructions ▶ _____
D	Tax period of most recently filed Form 941 (for example, "Q4 2020") or annual employment tax return (for example, "2020") ▶ _____
E	If you're requesting an advance payment of the employee retention credit (Part II, line 1), enter the average number of full-time employees you had in 2019 (or 2020 if your business wasn't in existence in 2019). Aggregation rules apply. See instructions ▶ _____
F	If you're requesting an advance payment for qualified sick and/or family leave wages (Part II, lines 2 and/or 3), enter the number of employees you had when qualified leave was taken during the quarter for the advance requested. See instructions . . . ▶ _____
G	Number of individuals provided COBRA premium assistance during the quarter for the advance requested. . . ▶ _____
H	If you're eligible for the employee retention credit solely because your business is a recovery startup business, check here ▶ <input type="checkbox"/>

Part II Enter Your Credits and Advance F

1	Total employee retention credit for the quarter. for the quarter. See instructions
2	Total qualified sick leave wages eligible for the c
3	Total qualified family leave wages eligible for the
4	Total COBRA premium assistance provided this
5	Add lines 1, 2, 3, and 4
6	Total amount by which you have already red deposits for these credits for this quarter. Enter
7	Total advanced credits requested on previous fil
8	Add lines 6 and 7
9	Advance requested. Subtract line 8 from line 5.

Part I – Tell us About Your Employment Tax Return

Line C – Enter the amount from line 2 of your most recently Form 941.

Line D – Enter the quarter most recently filed

Line E – Enter your average number of full-time employees.

Line F – If you are not requesting an advance payment for qualified paid sick and/or family, leave this item blank.

Line G – If you are not requesting an advance of the COBRA subsidy tax credit, leave this item blank.

Line H – If you are a Recovery Startup business, check the box – this line should not be used until third quarter 2021 (July 1 – September 30). Leave blank for second quarter 2021.

Third-Party Designee	Do you want to allow an employee, a instructions for details. <input type="checkbox"/> Yes. Com
	Designee's name ▶ _____
	Select a 5-digit personal identification n
Sign Here	Under penalties of perjury, I declare that I have exa and belief, it is true, correct, and complete. Declara
	Your signature ▶ _____
	Printed name
	Best daytime phone

Part II – Enter Your Credits and Advance Requested

Line 1 – Enter the total ERTC you are qualified for so far in the quarter; qualified wages including allocable health plan expenses up to \$10,000 multiplied by 70% (Starting in second quarter 2021). This must be a cumulative number for the quarter, even if you have already filed another Form 7200 this quarter. If you are not claiming an advance on the retention credit, enter zero.

Line 2 – Enter the total COVID-19 qualified paid sick leave wages. If you have not paid any this quarter, enter zero.

Line 3 – Enter the total COVID-19 qualified paid family leave wages. If you have not paid any this quarter, enter zero.

Line 4 – Enter the total COBRA premiums you have subsidized this quarter. If you have not paid any this quarter, enter zero.

Line 5 – Enter the total for lines 1 through 4.

Line 6 – Enter the amount you have reduced (or Paychex PEO has reduced on your behalf) your federal liability (federal withholding and FICA) and retained these funds for the quarter. This is the amount that has been processed through payroll AND has reduced your federal liability.

Line 7 – Enter the total of advances already requested (that haven't been rejected) so far this quarter.

Line 8 – Enter the total for lines 6 and 7

Line 9 – Subtract line 8 from line 5 and enter the total. This is the total advance you are requesting on this return.

H If you're eligible for the employee retention credit solely because your business is a recovery startup business, check here

Part II Enter Your Credits and Advance Requested

1	Total employee retention credit for the quarter. Don't enter more than the amount eligible to be advanced for the quarter. See instructions	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	Total COBRA premium assistance provided this quarter. See instructions	4	
5	Add lines 1, 2, 3, and 4	5	
6	Total amount by which you have already reduced your federal employment tax deposits for these credits for this quarter. Enter as a positive number	6	
7	Total advanced credits requested on previous filings of this form for this quarter	7	
8	Add lines 6 and 7	8	
9	Advance requested. Subtract line 8 from line 5. If zero or less, don't file this form	9	

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

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

