

Is your business eligible for the Employee Retention Credit?

Because the coronavirus has negatively affected so many businesses nationwide, a number of coronavirus payroll tax credits are available to help employers out. One option is the Employee Retention Credit (ERC).

The Employee Retention Credit is a CARES Act relief measure for businesses. It is a fully refundable tax credit that eligible employers who are able to keep employees on payroll can claim.

How much is the credit?

For 2020: The maximum ERC is \$5,000 per employee.

For 2021: The maximum ERC is \$7,000 per employee, per quarter for the first two quarters of the year, with a total maximum ERC of \$14,000 per employee.

Who is eligible for the ERC?

- Businesses are eligible if either of these two things happened in 2020:
 1. Your operations were fully or partially suspended due to a COVID-19-related governmental order, or
 2. You experienced a significant reduction in gross receipts for one or more quarters.
- Businesses are eligible for the first quarter of 2021 if either of these three things happened:
 1. Your operations were fully or partially suspended due to a COVID-19-related governmental order, or
 2. First-quarter 2021 gross receipts fall by more than 20% compared to first-quarter 2019 gross receipts, or
 3. Fourth-quarter 2020 gross receipts fell by more than 20% compared to fourth-quarter 2019 gross receipts.
- For 2020, employers with 100 or fewer full-time equivalent (FTE) employees during 2019 can claim the ERC on all wages paid to employees during the period in which the employer satisfied the shutdown test or the gross receipts test.
- For 2021, the Act increases the small employer threshold from 100 to 500 FTE employees, meaning employers with up to 500 FTE employees in 2019 may claim the ERC for 2021 on wages paid for working or non-working periods.
- Employers can now take advantage of the Paycheck Protection Program (PPP) and claim ERC. This part of the new law is retroactive, allowing PPP recipients to retroactively claim ERC. However, an employer that receives a PPP loan may not use those wages to qualify for the Employee Retention Credit, regardless of whether and when the loan is forgiven.

Due to these and other technicalities, we encourage you to contact our firm if you have questions on your eligibility.

How do you claim the Employee Retention Credit?

There is no Employee Retention Credit application. Instead, employers can claim the Employee Retention Credit on their Federal Form 941, 944, or 943 returns. If you think you may qualify or need help determining whether you qualify, please call us today.