JOSHUA JENSON, CPA

Practicing CPA
CPA Firm Founder
National Speaker
Tax & CPE Instructor
2x Author









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JJ THE CPA CPE

Presents

EMPLOYEE RETENTION TAX CREDIT #4



Joshua Jenson, CPA aka "JJ THE CPA"

JJ has over 28 years of public accounting experience in the area of tax, specializing in LLC, partnership, S corporation, and related individual tax matters. He still practices in the trenches in the CPA firm he founded over 24 years ago.

JJ THE CPA has traveled to over 50 cities, presenting tax courses to thousands of fellow CPAs covering the latest tax laws and strategies.

JJ the CPA has over 77,000 SUBSCRIBERS and over 6.3 million views on his YouTube channel "JJ THE CPA," and is heavily represented on social media, with daily postings, including daily videos released on everything dealing with money. Search #JJTHECPA to find him ON ANY SOCIAL MEDIA PLATFORM.

JJ has authored 2 books available on Amazon, "JJ THE CPA HERE!" AND "CRACKING THE CPA CODE." THE FIRST BOOK reveals the top 60 questions from his clients, and his solutions, over his 28 years in practice covering issues related to banking, business structure, insurance, and taxes. THE SECOND BOOK PROVIDES THE SECRET OF HOW TO GET REFERRALS FROM CPA's.

Joshua Jenson is a licensed CPA in Oklahoma and Texas, and a member of the American Institute of CPAs and Oklahoma Society of CPAs.

JJ served as the past Chairperson of the OSCPA Educational Foundation and was named CPA of the year by his CPA peers. Joshua is a 1993 graduate of Abilene Christian University where he earned is accounting degree.

Joshua is also a licensed insurance professional specializing in life insurance, both permanent and term, as well as disability income insurance. He has own insurance practice, Jenson Insurance.



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Thank you for signing up for this CPE

Program Title: Employee Retention Tax Credit Update

3 CPE credits, Field of Study: Taxes,

Delivery Method: Group Internet Based - Delivered by Zoom

YOU MUST ATTEND DURING THE LIVE PRESENTATION AND SUBMIT THE REQUIRED "ATTENDANCE FORM" BY EMAIL TO help@jjthecpacpe.com WITHIN 48 HOURS TO RECEIVE CPE CREDIT

Dates of Program: You received a Zoom link to your signed up time

Monday, November 22, 2021 @ 10:00 am cst

Friday, December 10, 2021 @ 11:00 am cst









CLICK HERE FOR MORE ERTC MATERIALS: EXCEL WORKSHEETS, FLOWCHARTS, EXAMPLES & IRS LINKS

CLICK HERE for the required Attendance Form to submit within 48 hours after seminar ends

The Zoom link to live seminar at the date and time you signed up for was provided in the email you immediately received after paying for this seminar. That email contains your Zoom link.

CLICK HERE for the **course materials** for this seminar, available 30 minutes before the seminar starts

CLICK HERE for the course Evaluation Form

CLICK HERE to email the Attendance Form & Evaluation Form within 48 hours after seminar ends to help@jjthecpacpe.com

CLICK HERE to again see the **course description**, objectives and other details presented before you signed up

CLICK HERE for "Attendance Form" details and how to prepare it

STEPS TO ENSURE YOU EARN YOUR CPE FOR THIS COURSE

- 1. Print out the Attendance Form and Evaluation Form before the seminar begins
- 2. Log into the Zoom meeting up to 30 minutes before the seminar begins with the link provided, and ensure you are in attendance in the Zoom meeting
- 3. Attend the entire seminar live, following along with the course materials provided
- 4. During the seminar be listening for the instructor to state four (4) words for every fifty minutes of CPE credit hour and write them on the Attendance Form
- 5. When the seminar is over, fully complete the Attendance Form and Evaluation Form
- 6. Within 48 hours, scan and email the completed Attendance Form and Evaluation Form to help@jjthecpacpe.com
- 7. Obtain and retain your CPE certificate of completion which will be emailed to you at the same address you sent the Attend Form from; within approximately 3 business days of you submitting the Attendance Form

How to Prove Your Attendance During the LIVE presentation to obtain CPE credit:

- You must complete and submit the "Attendance Form" with the required words stated by the instructor during the
 presentation within 48 hours after the completion of the seminar to prove your attendance during the live
 presentation of the seminar.
- There will be 4 words stated for each fifty minutes of CPE credit provided.
- You must submit by email the Attendance Form with at least 70% of the words written on that form to prove your attendance, earn your CPE credit, receive CPE credit and obtain the CPE certificate of completion.

Where to email the required "Attendance Form" to prove your attendance to obtain CPE credit: help@jjthecpacpe.com

4 WORDS WILL BE VERBALLY SPOKEN EACH CPE CREDIT HOUR

PLEASE NOTE

TO OBATIAN YOUR CPE TODAY, YOU MUST EMAIL THE "ATTENDANCE FORM" PROPERLY COMPLETED & SIGNED WITHIN 48 HOURS FROM WHEN THE SEMINAR ENDS WITH AT LEAST 70% OF THE WORDS PROVIDED TODAY TO OBTAIN CPE CREDIT

HELP@JJTHECPACPE.COM

THE WORDS ARE DIFFERENT WITH EACH PRESENTATION. IF YOU ARE RE-WATCHING THIS ON VIDEO, THE WORDS HAVE CHANGED AS PRESENTED IN FUTURE LIVE PRESENTATIONS. CPE CAN ONLY BE OBTAINED BY LIVE ATTENDANCE.

HEARING THE WORDS ON A VIDEO RE-PLAY WILL NOT PROVIDE YOU ANY CPE CREDIT. YOU WILL NOT GET THE VIDEO REPLAY UNTIL AFTER 48 HOURS FROM WHEN THE SEMINAR ENDS. YOU MUST SUBMIT YOUR ATTENDANCE FORM WITHIN 48 HOURS. THEREFORE, IT WILL NOT BE POSSIBLE TO GET WORDS OR USE WORDS FROM A VIDEO RE-PLAY (RE-WATCH) TO GET ANY CPE CREDT.

12/10/2021

IF YOU ARE **RE-WATCHING** THIS SEMINAR ON VIDEO, YOU CAN IGNORE ANYTHING ABOUT EARNING CPE

THE WORDS ARE DIFFERENT WITH EACH PRESENTATION. IF YOU ARE REWATCHING THIS ON VIDEO, THE WORDS HAVE CHANGED AS PRESENTED IN FUTURE LIVE PRESENTATIONS. CPE CAN ONLY BE OBTAINED BY LIVE ATTENDANCE.

HEARING THE WORDS ON A VIDEO RE-PLAY WILL NOT PROVIDE YOU ANY CPE CREDIT. YOU WILL NOT GET THE VIDEO REPLAY UNTIL AFTER 48 HOURS FROM WHEN THE SEMINAR ENDS. YOU MUST SUBMIT YOUR ATTENDANCE FORM WITHIN 48 HOURS. THEREFORE IT WILL NOT BE POSSIBLE TO GET WORDS OR USE WORDS FROM A VIDEO RE-PLAY (RE-WATCH) TO GET ANY CPE CREDT.

JJ THE CPA







ATTENDANCE FORM SUBMISSION WITHIN 48 HOURS IS REQUIRED TO OBTAIN CPE

Email to help@jjthecpacpe.com

ATTENDANCE FORM

SUBMISSION WITHIN 48 HOURS IS REQUIRED TO OBTAIN CPE
Email to help@jjthecpacpe.com

This form proves you attended the course during the live presentation
YOU MUST ATTEND DURING THE LIVE PRESENTATION
AND SUBMIT BY EMAIL THIS REQUIRED "ATTENDANCE FORM"
WITHIN 48 HOURS TO RECEIVE CPE CREDIT.
YOU WILL NOT RECEIVE CPE CREDIT WITHOUT SUBMITTING THIS FORM

Participants Name: JOSHUA JENSON

Program Title: EMPLOYEE RETENTION TAX CREDIT

Program instructor: Joshua Jenson, CPA
Program Date: 11/22/2021

Words presented by the instructor during the live seminar: NOTE: There are 4 words stated by the instructor for each fifty minutes of CPE credit hour presented. You must submit at least 70% of the words to receive full credit for each hour of CPE presented. Only full credit hours issued.

1. WORD

_{5.} WORD

WORD

word word

6. <u>WORD</u>

10. WORD

3. WORL

_{7.} WORD

11. WORD

4. WORD

8. WORD

12. WORD

My signature below indicates I attended the seminar during the live presentation and the number of CPE credit hours listed above is true and correct.

Signature of participant

This form proves you attended the course during the live presentation

YOU MUST ATTEND DURING THE LIVE
PRESENTATION
AND SUBMIT BY EMAIL THIS REQUIRED
"ATTENDANCE FORM"
WITHIN 48 HOURS TO RECEIVE CPE CREDIT.
YOU WILL NOT RECEIVE CPE CREDIT WITHOUT
SUBMITTING THIS FORM



AS SEEN ON THE WEBPAGE

CLICK HERE for "Attendance Form" details and how to prepare it

CLICK HERE for the required Attendance Form to submit within 48 hours after seminar ends

When can I re-watch the seminar?

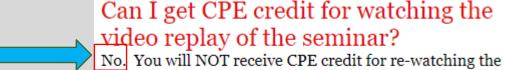
Approximately 48 hours has passed (after the seminar has ended) you will emailed a link to re-watch the seminar for 30 days. You will NOT receive CPE credit for re-watching the seminar.

Live Attendance is Required to Earn CPE Credits for this Course

This is a live format, and requires your attendance during the time designated. **CLICK HERE** for more information.

When will I get my CPE certificate of completion?

Within 3 business days of you submitting the Attendance Form with the required words to help@jjthecpacpe.com.



seminar, without exception.

CLICK HERE for additional



FREQUENTLY ASKED QUESTIONS

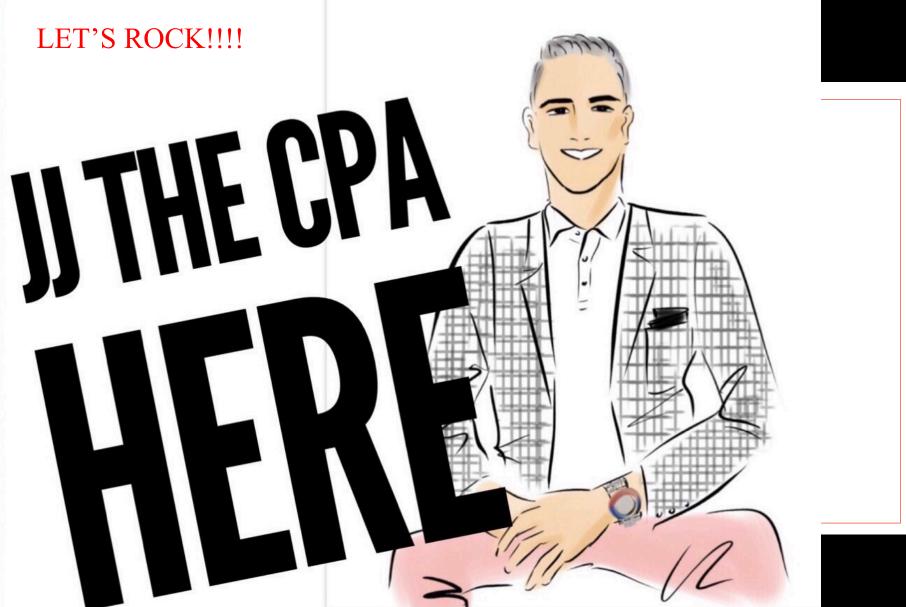
How long do I have to re-watch the seminar?

You will be able to re-watch the seminar for 30 days, however, you will ONLY be able to receive CPE credits for your LIVE attendance to this seminar during the designated time.

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IF YOU ARE NOT WANTING TO EARN CPE CREDIT, YOU DO NOT HAVE TO WRITE DOWN THE WORDS, OR EMAIL THE ATTENDANCE FORM.

THANK YOU!



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12/10/2021

Overview

This will cover the latest developments of the ERTC as well as provide a guide to how to determine when an employer qualifies, what wages are included in the credit, step-by-step how to calculate the ERTC, how to go back to claim the ERTC, overview of the cap 3 IRS Tax Notices & IRS Rev. Proc. released this year on the ERTC, aggregation rules, maximizing 100% PPP Loan Forgiveness with ERTC, related tax forms and properly reporting ERTC for tax purposes, as well as the timing of reporting.

Major Topics

- •Latest developments of the ERTC
- •Overview how to determine when an employer qualifies
- •Cover which wages are included in the credit
- •Step-by-step how to calculate the ERTC
- •How to go back to claim the ERTC
- •Go over 3 IRS Tax Notices & IRS Rev. Proc. released this year on the ERTC
- •Overview of the ERTC aggregation rules
- •How to maximize PPP Loan Forgiveness with ERTC
- Present related tax forms
- •How to properly reporting ERTC for tax purposes, as well as the timing of reporting.

Learning Objectives

- •Learn how to identify an employer that qualifies for ERTC.
- •Learn how to calculate ERTC.
- •Learn how to report ERTC.
- •Learn how to get the economic benefit of ERTC.
- •Learn what tax laws have changed with these topics
- •Learn to better understand recent tax law changes of these topics and how they may apply to you or your clients circumstances
- •Learn more about these topics to better serve your clients with expanded and up-to-date information
- •Learn of the effective dates of law changes







Infrastructure Bill became law 11/15/2021

- This ends the ERTC effective 9/30/2021
- ERTC is no longer available for 4th quarter 2021 (Exception discussed later)
- ERTC still available for qualified wages & employer paid health insurance paid 3/13/2020-9/30/2021

Executive Sumary

EMPLOYEE RETENTION TAX CREDIT (ERTC)

CAN TAKE IF RECEIVED PPP

EXECUTIVE SUMMARY

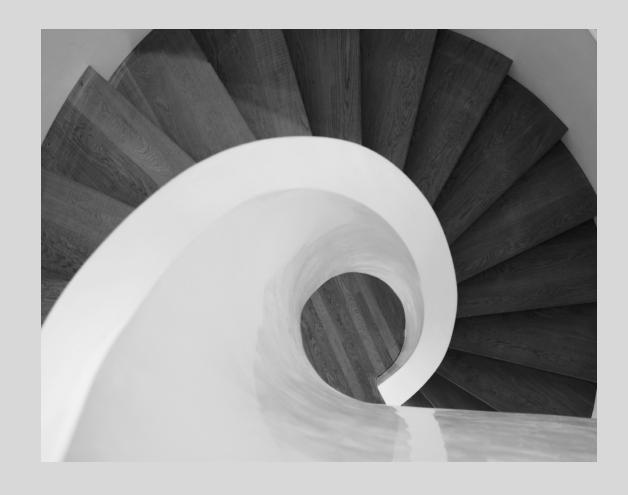
- RETROACTIVE BACK TO 3/13/2020
- WAGES USED FOR ERTC CANNOT BE USED FOR PPP FORGIVENESS
- WAGES USED ALREADY FOR PPP FORGIVENESS <u>CURRENTLY</u> CAN'T BE USED FOR ERTC PURPOSES
- CREDIT 50% OF QUALIFIED \$10,000 WAGES FOR 2020
- CREDIT 70% OF QUALIFIED \$10,000 WAGES FOR 2021 EXTENDED TO 9/30/2021 (NEW LAW)
- \$10,000 MAX WAGES PER CALENDAR YEAR 2020
 - MAX \$5,000 PAYROLL TAX CREDIT PER EMPLOYEE FOR ALL 2020
- \$10,000 MAX WAGES PER QUARTER FOR 1st, 2nd & 3RD QUARTERS 2021
 - MAX \$7,000 PAYROLL TAX CREDIT PER EMPLOYEE PER QUARTER
 - MAX \$21,000 PER EMPLOYEE FOR 2021 (NEW LAW EFFECTIVE 11/15/21)
 - "RECOVERY START UP" BUSINESS STILL QUALIFIES FOR 4th QUARTER
- INCLUDES HEALTH INSURANCE PAID BY THE EMPLOYER FOR APPLICABLE PAYROLL
- EMPLOYER SIZE DEPENDENT ON AVERAGE NUMBER OF EMPLOYEES
 - BOTH 2020 AND 2021, THE AVERAGE NUMBER OF EMPLOYEES BASED ON 2019
 - THE THRESHOLD FOR 2020 IS 100 EMPLOYEES
 - THE THRESHOLD FOR 2021 IS 500 EMPLOYEES
 - THE THRESHOLD AND BELOW, ALL WAGES QUALIFY IF EMPLOYER QUALIFIES FOR ERTC (EXCEPTIONS EXIST)
 - ABOVE THE THRESHOLD, ONLY WAGES PAID TO EMPLOYEES THAT DIDN'T PROVIDE SERVICES QUALIFY FOR AN EMPLOYER WHO QUALIFIES FOR ERTC (EXCEPTIONS DO EXIST)
- NOT LIMITED TO EMPLOYER SOCIAL SECURITY TAXES & REFUNDABLE
- NOT AVAILABLE FOR MORE THAN 50% OWNERS OR SPOUSES, RELATED INDIVIDUALS IN MOST EVERY CIRCUMSTANCE OR SELF-EMPLOYED on SELF-EMPLOYED INCOME

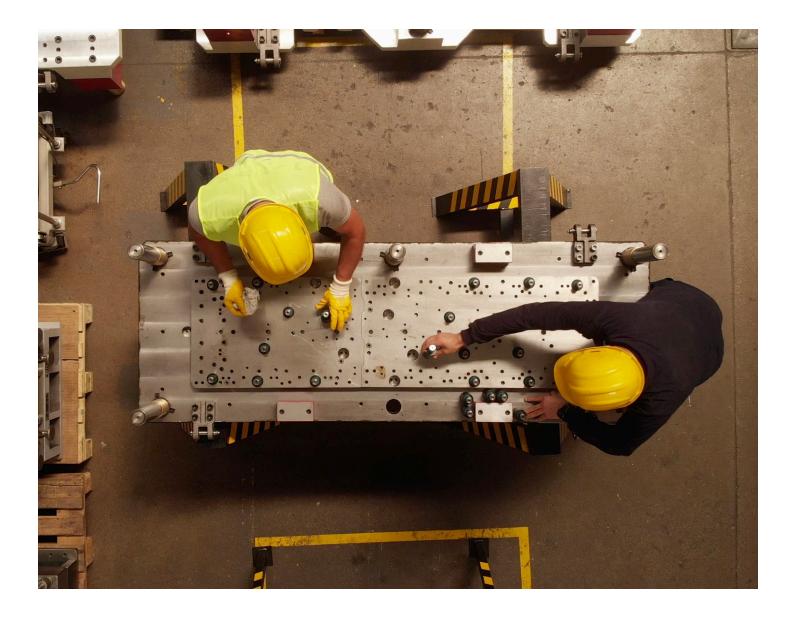
- TWO WAYS TO QUALIFY (EITHER/OR) BOTH NOT REQUIRED
 - GOVERNMENT PARTIAL OR FULL SUSPENSION OF OPERATIONS LIMITING COMMERCE, TRAVEL, OR GROUP MEETINGS
 - OF
 - A SPECIFIC DECLINE IN GROSS RECEIPTS FOR THE QUARTER
- IF BY REDUCTION IN GROSS RECEIPTS
- 50% DECREASE IN GROSS RECEIPTS FOR 2020
 - 2020 QUARTER COMPARED TO CORRESPONDING QUARTER IN 2019
- 20% DECREASE IN GROSS RECEIPTS FOR 2021
 - 2021 QUARTER COMPARED TO CORRESPONDING QUARTER IN 2019
 - OPTION TO COMPARE TO PRECEDING QUARTER (IRS HAS TO ISSUE GUIDANCE)
- CLAIMING & RECEIVING THE FRTC.
 - REPORT & FILE FORM 941
 - NOW ONLY FOR "RECOVERY START UP" ENTITIES
 - EITHER CLAIMING A CREDIT CARRYOVER OR REFUND
 - IF DID NOT CLAIM ON FORM 941, FILE FORM 941-X
 - REGARDLESS OF METHOD TO RECEIVE THE BENEFIT OF THE PAYROLL TAX CREDIT, THE QUALIFIED WAGES & INFO MUST BE REPORTED ON FORM 941 (OR FORM 941-X IF NOT ON ORIGINAL FORM 941)

SIMPLE, RIGHT?

THE EMPLOYEE RETENTION TAX CREDIT IS

- QUALIFED WAGES
 - PLUS EMPLOYER PAID HEALTH INSURANCE
- DURING QUALIFIED PERIOD
- MULTIPLIED BY
 - 70% in 2021
 - 50% in 2020
- GET MONEY FROM IRS

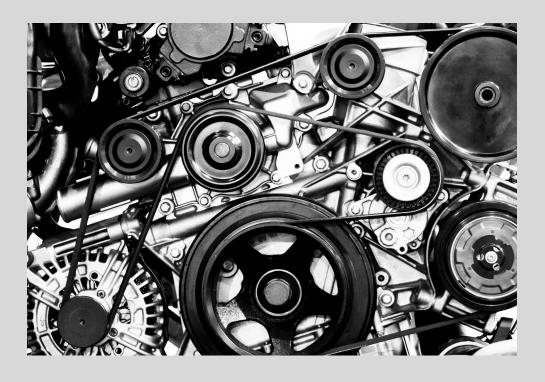




THE Mechanics of the ERTC

7 STEPS

STEP 1



DO YOU QUALIFY? WHAT TIME PERIOD QUALIFIES?

- DETERMINE IF EMPLOYER QUALIFIES AS A BUSINESS
- DETERMINE IF EMPLOYER HAS/HAD FULL OR PARTIAL SUSPENSION OF OPERATIONS
 - DETERMINE THE DATES THIS APPLIES TO WHICH IS ONLY DURING THE GOVERNMENTAL INTERRUPTION
- OR
- DETERMINE IF EMPLOYER HAS/HAD DECLINE IN GROSS RECEIPTS
 - DETERMINE THE QUARTER(S) THIS APPLIES TO, WHICH IS FOR THE FULL QUARTER OF THE GROSS RECEIPTS REDUCTION

12/10/2021

STEP 2



WHAT EMPLOYEES ARE INCLUDED, BASED ON YEAR?

- DETERMINE WHICH YEAR:
 - 2020 OR 2021
- NUMBER OF EMPLOYEES
 - 2020 -100 or LESS EMPLOYEES?
 - 2021 500 or LESS EMPLOYEES?
 - ALL EMPLOYEES
 - 2020 OVER 100 EMPLOYEES?
 - 2021 OVER 500 EMPLOYEES?
 - ALL EMPLOYEES THAT <u>DID NOT</u> WORK

STEP 3



WHAT WAGES ARE INCLUDED, **BASED ON YEAR?**

- **WAGES EXCLUDE:**
 - WAGES USED FOR OTHER TAX CREDITS AND PPP FORGIVENESS

 - WAGES EXEMPT FROM SOCIAL SECURITY & MEDICARE TAXES
 WAGES TO EMPLOYEES RELATED TO THE EMPLOYER (MORE THAN
 50% OWNERSHIP, FAMILY ATTRIBUTION RULES APPLY)
- NUMBER OF EMPLOYEES
 - 2020 -100 or LESS EMPLOYEES?
 - 2021 500 or LESS EMPLOYEES?
 - ALL WAGES & EMPLOYER PAID HEALTH INSURANCE INCLUDED, REGARDLESS IF THE EMPLOYEE WORKED OR
 - INCLUDES HOURLY, NON-EXEMPT SALARIED & EXEMPT SALARIED EMPLOYEES, AS WELL AS PRE-EXISTING VACATION SICK & OTHER LEAVE POLICY PAID WAGES
 - 2020 OVFR 100 FMPI OYFFS?
 - 2021 OVER 500 EMPLOYEES?
 - ONLY WAGES & EMPLOYER PAID HEALTH INSURANCE PAID TO EMPLOYEES THAT DID NOT WORK ARE INCLUDED
 - EXCLUDES RAISES, AS WELL AS PRE-EXISTING VACATION SICK & OTHER LEAVE POLICY
 - ONLY INCLUDES WAGES EQUIVALENT TO 30 DAYS PRIOR,

STEP 4



DETERMINE THE MAXIMUM WAGES INCLUDED, BASED ON YEAR?

- COMBINING QUALIFIED WAGES & EMPLOYER PAID HEALTH INSURANCE TO DETERMINE THE \$10,000
- \$10,000 MAX PER EMPLOYEE
- · 2020
 - \$10,000 MAX FOR THE ENTIRE YEAR OF 2020, PER EMPLOYEE
- 2021
 - \$10,000 MAX FOR EACH QUARTER IN 2021, PER EMPLOYEE
 - \$10,000 FOR QUARTER 1
 - \$10,000 FOR QUARTER 2
 - \$10,000 FOR QUARTER 3
 - \$10,000 FC QUARTER 4

STEP 5



DETERMINE THE APPLICABLE CREDIT PERCENTAGE, BASED ON YEAR?

- · 2020
 - · 50%
- · 2021
 - · 70%

THE EMPLOYEE RETENTION TAX CREDIT CALCULATION

- QUALIFED WAGES
 - PLUS EMPLOYER PAID HEALTH INSURANCE
- DURING QUALIFIED PERIOD
- MULTIPLIED BY
 - 70% in 2021
 - 50% in 2020
- EQUALS THE ERTC AMOUNT

STEP 6



STEP 7



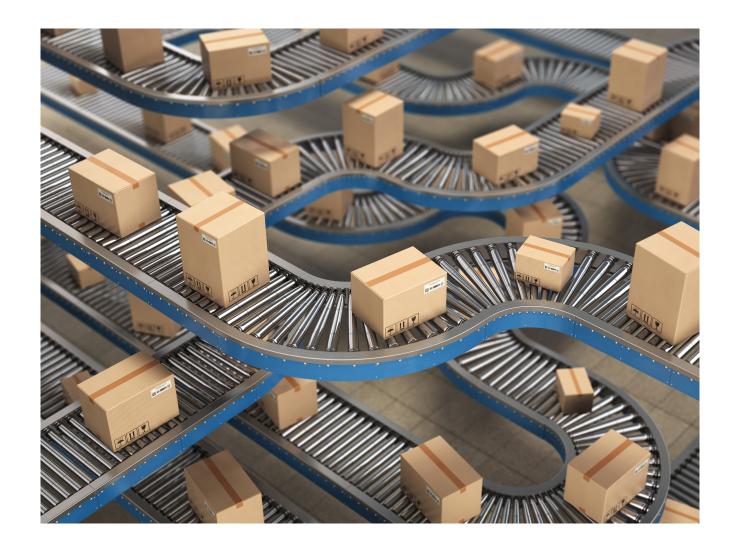
GET THE CREDIT, i.e. THE MONEY

FILE FOR 941-X

REQUEST "CLAIM" FOR REFUND

OR

 CREDIT APPLIED TO NEXT RETURN (IF DID NOT DO ANY OF THE ABOVE)

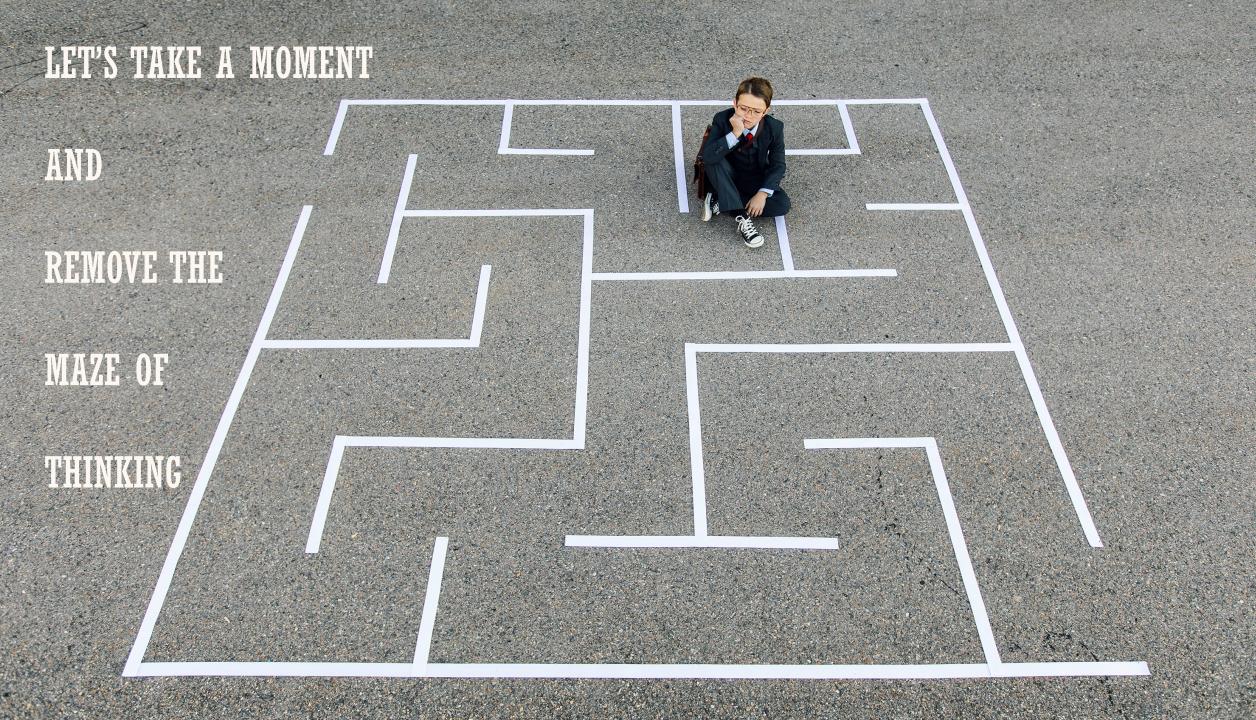


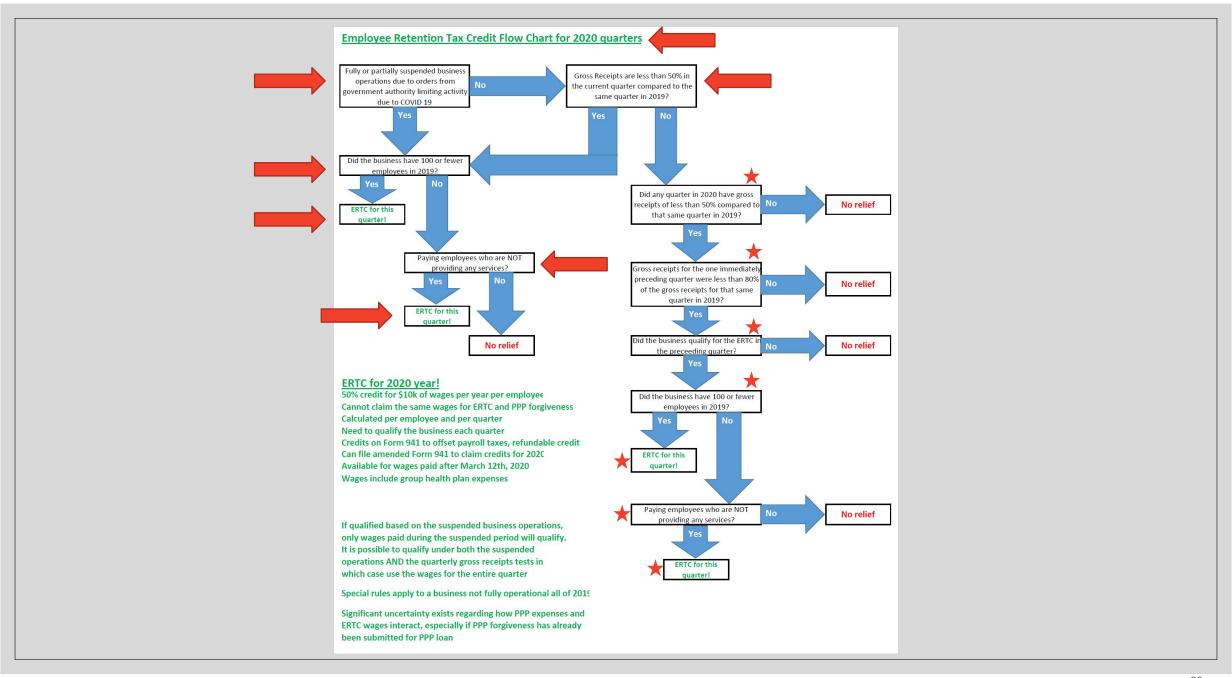
LET'S MAKE
THE COMPLICATED,
SIMPLE.

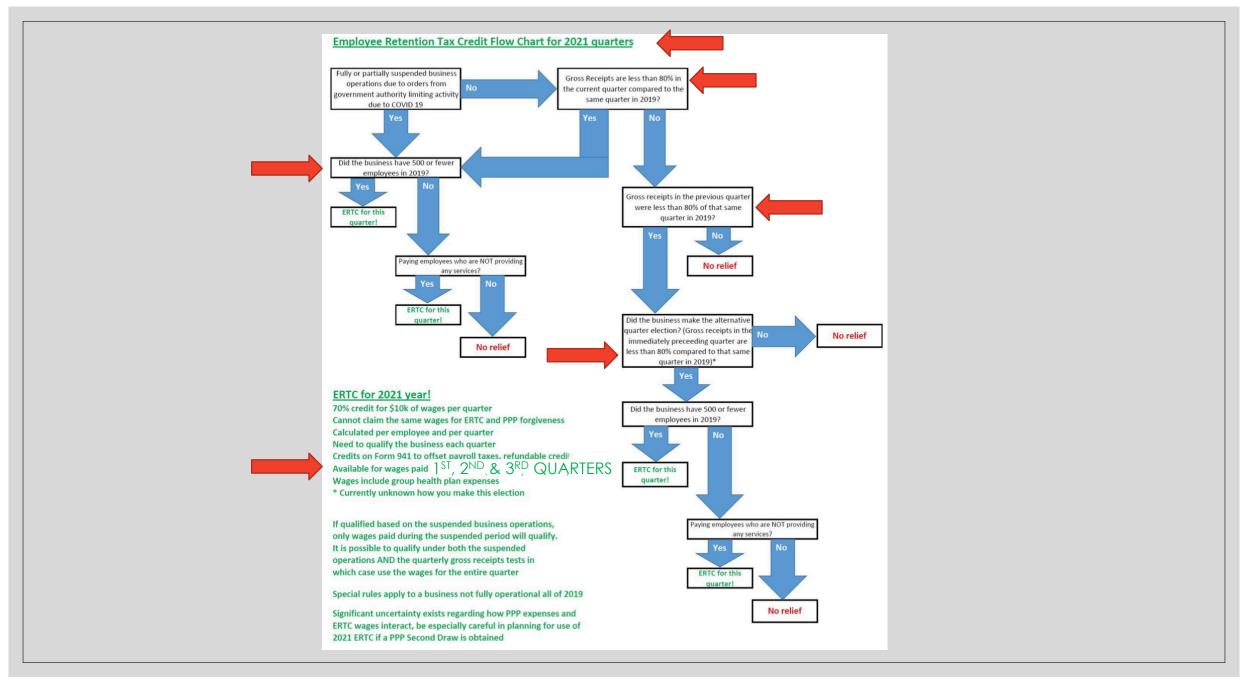
SUMARY OF THE EXECUTIVE SUMMARY: THE EMPLOYEE RETENTION TAX CREDIT IS

- QUALIFED WAGES
 - PLUS EMPLOYER PAID HEALTH INSURANCE
 - \$10,000 MAX PER EMPLOYEE WHEN ADDING BOTH TOGETHER
- DURING QUALIFIED PERIOD
 - DURING GOVERNMENTAL ORDER
 - OR
 - ENTIRE QUARTER, WHEN GROSS RECEIPTS DOWN COMPARED TO 2019
 - 20% IN 2021
 - 50% IN 2020
- MULTIPLIED BY
 - 70% in EACH QUARTER in 2021 (NOW ONLY QUARTERS 1, 2 & 3)
 - 50% for ENTIRE YEAR in 2020
- GET MONEY FROM IRS
 - File Form 941 for refund or applied credit (reporting ERTC regardless) and/or
 - File Form 941x for refund or applied credit (if did not do the above)











OVERALL COMPARISON OF THE ERTC

2020

VS.

ERTC MAJOR DIFFERENCES FROM 2020 TO 2021

2020

- WAGES INCURRED AFTER 3/12/2020
- \$10,000 MAX PER EMPLOYEE FOR ALL YEAR
- 50% CREDIT
- OVER 100 EMPLOYEES: ONLY INCLUDES EMPLOYEES WHO DID NOT PROVIDE SERVICES
- GROSS RECEIPTS DOWN AT LEAST 50%
 - IF QUALIFY ON GROSS RECEIPTS BEING DOWN
 - THE QUARTER IMMEDIATELY AFTER THE QUARTER IN WHICH GROSS RECEIPTS WERE DOWN... ALSO QUALIFIES AUTOMATICALLY
 - THIS ENDS ON THE FIRST DAY OF THE FIRST CALENDAR QUARTER FOLLOWING THE CALENDAR QUARTER IN WHICH GROSS RECEIPTS ARE MORE THAN OF 80% OF ITS GROSS RECEIPTS FOR THE SAME CALENDAR QUARTER IN 2019

- WAGES INCURRED 1ST, 2ND & 3RD QUARTERS
- \$10,000 MAX PER EMPLOYEE PER QUARTER
- 70% CREDIT
- OVER 500 EMPLOYEES: ONLY INCLUDES EMPLOYEES WHO DID NOT PROVIDE SERVICES (See exception in IRS Notice 2021-49)
- GROSS RECEIPTS DOWN AT LEAST 20%
 - IF QUALIFY ON GROSS RECEIPTS BEING DOWN
 - EACH QUARTER IS A STAND ALONE COMPARISON
 - ALTERNATIVE METHOD APPLIES: THE IMMEDIATELY PRECEEDING QUARTER CAN BE COMPARED THE CORRELATED QUARTER OF THE IMMEDIATELY PRECEDING QUARTER

ERTC SAME FOR 2020 & 2021

2020

- ON WAGES & EMPLOYER PAID HEALTH INSURANCE
- \$10,000 MAX PER EMPLOYEE FOR QUALIFYING PERIOD
- MUST REPORT ON FORM 941
- WAGES INCLUDED ARE BASED ON WHEN INCURRED
- DEFINITION OF GROSS RECEIPTS
- GROSS RECEIPTS ARE COMPARED TO 2019
- NUMER OF EMPLOYEES BASED ON AVERAGE NUMBER
 OF EMPLOYEES IN 2019

- ON WAGES & EMPLOYER PAID HEALTH INSURANCE
- \$10,000 MAX PER EMPLOYEE FOR QUALIFYING PERIOD
- MUST REPORT ON FORM 941
- WAGES INCLUDED ARE BASED ON WHEN INCURRED
- DEFINITION OF GROSS RECEIPTS
- GROSS RECEIPTS ARE COMPARED TO 2019
- NUMER OF EMPLOYEES BASED ON AVERAGE NUMBER
 OF EMPLOYEES IN 2019

	CARES Act of March 2020	Relief Act of 2021	American Rescue Plan Act of 2021
Period for qualified wages paid	March 13 – December 31, 2020	Extended: January 1 – June 30, 2021	Extended: July 1, 2021 – December 31, 2021
Eligible employer	Any employer operating a trade, business, or a tax-exempt organization, but not governments, their agencies, and instrumentalities.	Expanded to include certain governmental employers that are: • Organizations described in section 501(c)(1) and exempt from tax under section 501(a), and • Colleges or universities or whose principal purposes is to provide medical or hospital care	No changes

CARES A	ct of March 2020	Relief Act of 2021	American Rescue Plan Act of 2021
Employment Employer tax offset tax	's portion of Social Security	No change	Changed to employer's portion of Medicare tax
• full or opera order quarte esignific receip gross calend ending quarte in white greate receip greate receip gross calend and the control of	must experience: partial suspension of tions due to government due to COVID-19 during any er, or icant decline in gross ots (beginning when gross ots are less than 50% of receipts for the same dar quarter in 2019 and g in the first calendar er after the calendar quarter ich gross receipts are er than 80 percent of gross ots for the same calendar er in 2019)	Amended decline in gross receipts to be defined as quarter where gross receipts are less than 80% of the same quarter in 2019. Added an alternative quarter election rule giving employers ability to look at prior calendar quarter in 2021 and compare to the same calendar quarter in 2019 to determine whether there was a decline in gross receipts. Provided a rule for employers not existence in 2019 to allow employers that were not in existence in 2019 to determine whether there was a decline in gross receipts by comparing the calendar quarter in 2021 to its gross receipts to the same calendar quarter in 2020.	Amended to make the credit available to "recovery startup businesses," employers who otherwise do not meet eligibility criteria (full or partial suspension or decline in gross receipts) "Recovery startup businesses" are employers: • That began carrying on any trade or business after February 15, 2020, • That had average annual gross receipts under \$1,000,000 for the 3-taxable-year period ending with the taxable year that precedes the calendar quarter for which the credit is determined, and • Do not meet the other eligibility criteria

CARES Act of March 2020	Relief Act of 2021	American Rescue Plan Act of 2021
Percent of qualified wages (\$10,000 per employee for the year including certain health care expenses) • 100 or fewer average full-time employees in 2019, wages paid to employees providing services and not providing services are qualified wages • Greater than 100 average full-time employees in 2019, wages paid to employees not providing services are qualified wages	 Increased maximum to 70% (\$10,000 per employee per calendar quarter including certain health care expenses) for qualified wages paid between January 1 and June 30, 2021 500 or fewer average full-time employees in 2019, wages paid to employees providing services and not providing services are qualified wages Greater than 500 average full-time employees in 2019, wages paid to employees not providing services are qualified wages 	 Maximums unchanged "Severely financially distressed employers" may treat all wages as qualified wages during the calendar quarter in which the employer is severely financially distressed "Severely financially distressed employers" are employers with gross receipts that are less than 10% of the gross receipts in a calendar quarter as compared to the same calendar quarter in 2019. No change for small employers qualified wages Provides that employers that were not in existence in 2019 may use the average number of full-time employees in 2020 to determine whether the employer had greater than 500 average full-time employees

	CARES Act of March 2020	Relief Act of 2021	American Rescue Plan Act of 2021
Credit maximums	Maximum credit of \$5,000 per employee in 2020	Increased the maximum per employee to \$7,000 per employee per quarter in 2021	 Maintained quarterly maximum defined in Relief Act (\$7,000 per employee per calendar quarter, resulting in a total of \$28,000 per employee in 2021) "Recovery startup businesses" are limited to a \$50,000 credit per calendar quarter



LET'S KNOCK OUT

SOME BIGGIES

FIRST

THE BIG ERTC QUESTIONS!

Is the Employee Retention Tax Credit (ERTC) taxable? YES



Do you report ERTC as income? NO

Does ERTC reduce tax deductions? YES, it reduces deductible wages. (Increases taxable net income.)

When does the ERTC reduce down tax deductions? In the year the credit applied to (based on when wages deducted).

If I get the ERTC "credit" in 2021 that was an ERTC for year 2020, what year do I reduce wages? 2020

What if I haven't received the ERTC "credit" yet, but it was for year 2020, what year do I reduce wages? 2020

Is this the same for self-employed individuals? NO, self-employed don't qualify for ERTC on their earnings.

Can a self-employed individual get the ERTC? YES, but only on their employees qualifying wages.

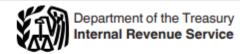
Does a more than 50% owner qualify for ERTC on their wages? NO, unless under IRS Code Section 267(c)

Does the spouse of a more than 50% owner qualify for ERTC on their wages? NO, unless under IRS Code Section 267(c)

BIGGEST CONCERN IN GETTING ERTC IN WHICH FORM 941 HAS ALREADY BEEN FILED?

HOW LONG DO I HAVE TO GO BACK AND GET MY MONEY ("CREDIT")?

Instructions for Form 941-X



(Rev. October 2020)

Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund

Is There a Deadline for Filing Form 941-X?

Generally, you may correct overreported taxes on a previously filed Form 941 if you file Form 941-X within 3 years of the date Form 941 was filed or 2 years from the date you paid the tax reported on Form 941, whichever is later. You may correct underreported taxes on a previously filed Form 941 if you file Form 941-X within 3 years of the date the Form 941 was filed. We call each of these time frames a "period of limitations." For purposes of the period of limitations, Forms 941 for a calendar year are considered filed on April 15 of the succeeding year if filed before that date.

WHAT?

IF YOU DIDN'T PREVIOUSLY CLAIM THE ERTC, YOU HAVE 3 YEARS FROM THE DATE THE ORIGINAL FORM 941 WAS FILED FOR THAT QUARTER OR

2 YEARS FROM DATE YOU PAID THE TAX REPORTED ON FORM 941, WHICHEVER IS LATER.

FORM 941 FOR ANY CALENDAR QUARTER IS DUE BY THE END OF THE FOLLOWING MONTH

1ST QUARTER – JAN, FEB, MARCH – FORM 941 DUE APRIL 30TH

2ND QUARTER – APRIL, MAY, JUNE – FORM 941 DUE JULY 31ST

3RD QUARTER – JULY, AUG, SEPT – FORM 941 DUE OCTOBER 31ST

4TH QUARTER – OCT, NOV, DEC – FORM 941 DUE JANUARY 31ST

FILING FORM 941-X

"ADJUSTED EMPLOYMENT TAX RETURN" TO CARRY CREDIT FORWARD

NOTE: IRS REQUESTS THIS BE DONE WITHIN 30 DAYS BEFORE THE END OF THE QUARTER YOU WISH TO APPLY THE CREDIT TO (TIME TO APPLY THE CREDIT)

OR

"CLAIM" TO GET REFUND SENT (SLOW)

BIGGEST THING TO REMEMBER FROM TODAY

IF YOU ARE FILING FORM 941-X

AND YOU HAVE A REFUND/CREDIT

IT IS RECOMMENDED UNDER CURRENT CONDITIONS

REQUEST CARRYOVER CREDIT (NOT REFUND)

TO REDUCE THE NEXT QUARTER'S PAYROLL TAXES

WHAT'S MISSED MOST WITH ERTC?

THE \$10,000 MAXIMUM IS WAGES PLUS EMPLOYER PAID HEALTH INSURANCE

WHAT'S THE MOST LOST IN TRANSLATION WITH ERTC IN 2021?

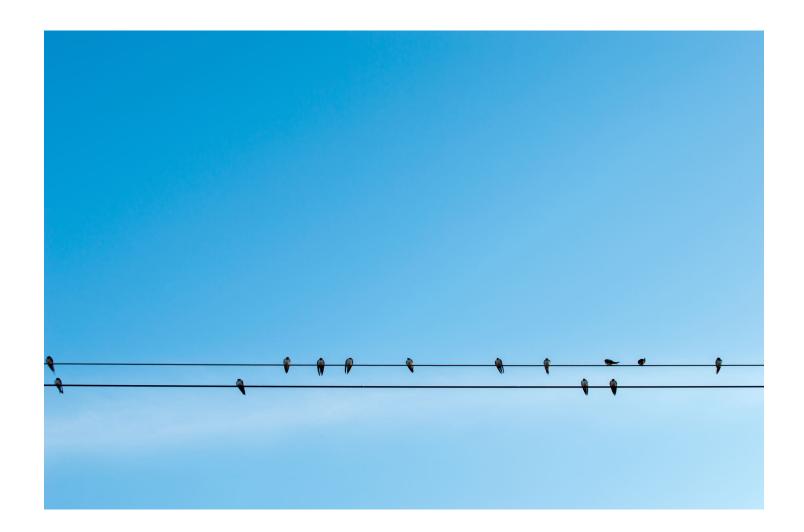
THAT YOU COMPARE THE QUARTERS IN 2021, TO THE CORRELATING QUARTER IN 2019

WHAT'S MOST MISUNDERSTOOD WITH ERTC?

- 1. ESSENTIAL BUSINESSES CAN'T QUALIFY FOR ERTC. WRONG! ESSENTIAL BUSINESSES CAN QUALIFY.
- 2. YOU DO NOT HAVE TO HAVE A GOVERNMENTAL ORDER AND HAVE A REDUCTION IN GROSS RECEIPTS. IT IS EITHER/OR. ONLY ONE HAS TO OCCUR.
- 3. IF QUALIFYING FOR ERTC DUE TO GOVERNMENTAL ODER, THE QUALIFYING PERIOD IS ONLY FOR THE PERIOD IN WHICH THE GOVERNMENTAL ORDER IS IN EFFECT. THIS DOES MAKE THE ENTIRE QUARTER QUALIFY. REMEMBER, THE GOVERNEMENTAL ORDER CAN LAST LONGER THAN A QUARTER. IN SHORT, THIS QUALIFIER IS NOT BASED ON A CALENDAR QUARTER, IT IS BASED ON THE PERIOD OF TIME A GOVERNMENTAL ORDER IS IN EFFECT.
- 4. QUALIFYING WAGES INCLUDED ESSENTIAL AND NON-ESSENTIAL EMPLOYEES.

QUALIFIED BUSINESS INCOME DEDUCTION "QBI WAGES" WITH ERTC PRESENT

- IF A BUSINESS RECEIVES THE EMPLOYEE RETENTION TAX CREDIT
 - IT REDUCES DOWN WAGES
- TYPICALLY THE TAX SOFTWARE PULLS "QBI WAGES" FROM THE AMOUNT OF WAGES
 DEDUCTED ON THE TAX RETURN
 - THE ERTC WOULD REDUCE THAT AMOUNT SHOWN ON PAGE 1 (WHAT IS ENTERED)
- HOWEVER, "QBI WAGES" ARE BASED ON WHAT IS REPORTED ON FORM W-2
 - THEREFORE, BE SURE TO "QBI WAGES" REPORTED ARE NOT NET OF ERTC



MOST

COMMON

QUESTIONS

ONCE YOU

GET INTO

THE

NUMBERS

COMMON ERTC QUESTIONS

- ARE ERTC WAGES BASED ON WHEN PAID OR INCURRED?
 - INCURRED. THE WAGES HAVE TO BE INCURRED DURING THE QUALIFYING PERIOD.
- IF WAGES ARE INCURRED IN QUARTER 4 of 2020, BUT PAID IN QUARTER 1 of 2021, WHICH ERTC RULES DO THEY FOLLOW?
 - THE 2020 RULES BECAUSE THAT IS WHEN THE WAGES WERE INCURRED
- WHEN FILING FORM 941x FOR A PARTICULAR QUARTER, DO WAGES INCURRED IN A PRIOR QUARTER THAT QUALIFY FOR ERTC GET INCLUDED IN THE PRIOR QUARTER WHEN THEY WERE INCURRED, OR IN THE QUARTER IN WHICH THEY WERE PAID?
 - BECAUSE FORM 941x IS BASED ON WHEN WAGES ARE PAID (NOT INCURRED), THE ERTC "CREDIT" WOULD BE INCLUDED IN THE QUARTER PAID
- IF QUARTER 2 for 2021 DOES NOT QUALIFY FOR ERTC, BUT QUARTER 1 for 2021 DOES, WHAT QUARTER WOULD THE ERTC BE REPORTED ON FOR FORM 941x PURPOSES... IF THE WAGES INCURRED IN QUARTER 1 AND WERE PAID IN QUARTER 2.
 - ON THE QUARTER 2 FORM 941x. FORM 941x DOES NOT DETERMINE OR REPORT IF THAT IS A
 QUALIFYING QUARTER FOR ERTC PURPOSES. WHAT FORM 941 REPORTS ARE WAGES PAID THAT
 QUALIFIED FOR ERTC

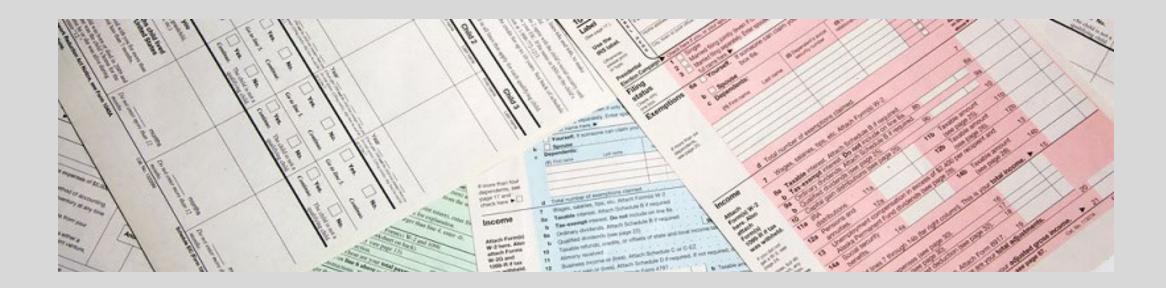
COMMON ERTC QUESTIONS

- ON FORM 941x THE ERTC "CREDIT" IS BROKEN INTO NON-REFUNDABLE AND REFUNDABLE, SO WOULDN'T QUALIFYING WAGES INCURRED IN A PRIOR QUARTEER, PAID IN THE FOLLOWING QUARTER MESS THAT UP?
 - NO. BECAUSE THE NON-REFUNDABLE AND REFUNDABLE PORTION OF THE ERTC "CREDIT" IS
 BASED ON EMPLOYER'S PORTION OF SOCIAL SECURITY TAXES, WHICH IS BASED ON WHEN
 WAGES ARE PAID, NOT INCURRED. THEREFORE, REPORTING THE ERTC "CREDIT" WHEN
 QUALIFYING WAGES ARE PAID CORRECTLY LINES UP SUCH TAXES WITH WHEN WAGES ARE PAID
- WHAT IF QUALIFYING WAGES WERE INCURRED IN 2020 BUT PAID IN 2021, WHERE IS THIS REPORTED ON FORM 941x?
 - IF THE WAGES QUALIFY FOR ERTC, THE CREDIT IS REPORTED ON FORM 941x WHEN PAID. FORM 941x IS NOT LINING UP THE ERTC "CREDIT" TO THE QUARTER IN WHICH THE EMPLOYER QUALIFIES. FORM 941x IS SIMPLY REPORTING WAGES PAID. THEREFORE, ANY CREDITS FOLLOW WHEN WAGES ARE PAID.

COMMON ERTC QUESTIONS

- WHAT IF QUALIFYING WAGES WERE INCURRED IN 2020 BUT PAID IN 2021, WHICH YEAR RECEIVES
 THE INCOME TAX ADJUSTMENT?
 - IF THE WAGES QUALIFY FOR ERTC IN 2020, THE REDUCTION IN THE WAGES TAX DEDUCTIONS IS APPLIED TO YEAR 2020. THIS APPEARS TO BE THE CASE, EVEN IF THE WAGES INCURRED IN 2020 WERE PAID IN 2021 BECAUSE THE QUALIFYING WAGES WERE INCURRED IN 2020 (PER IRS NOTICE 2021-49)
- IF FILING FORM 941x FOR 2020, SHOULD EACH QUARTER BE AMENDED, OR CAN ALL OF IT BE REPORTED IN QUARTER 4 OF 2020?
 - IT APPEARS IT WAS POSSIBLE IN JANUARY 2021 TO REPORT A FULL YEAR'S WORTH OF 2020 ERTC "CREDIT" ON QUARTER 4 FORM 941 FOR 2020, PER THE LAW ENACTED 12/27/2020. HOWEVER, SINCE WE ARE PAST THAT TIME, YOU WOULD AMEND EACH QUARTER FOR THE APPLICABLE ERTC IN 2020, BASED ON WHEN SUCH WAGES WERE PAID. NOTE: ANY ERTC FOR 1ST QUARTER 2020 CAN ONLY BE REPORTED ON 2ND QUARTER FORM 941x (PER LATEST IRS FORM 941x INSTRUCTIONS)

REPORTING ERTC TAX CREDITS



BIGGEST SHOCK RELATED TO ERTC?

- Timing of qualified wages deduction disallowance as provided in IRS Notice 2021-49 (pages 24-25)
 - Defines when the employer must take the reduction in wages for tax purposes
 - The tax year in which the qualified wages were paid or incurred is the tax year that wages must be reduced
 - If the wages were paid or incurred in 2020, the reduction of wages is reported on the 2020 tax return
 - Same for 2021
 - Amending a payroll tax filing does not change the timing (year) of the reduction
 - Form 941x is filed in 2021 for any quarter in 2020
 - The tax credit is refunded in 2021 or applied to a future quarter in 2021
 - The reduction in wages is applied to tax year 2020
 - What if the employer already filed an income tax return for 2020
 - IRS recommends the employer file an amended income tax return for 2020
 - OR an Administrative Adjustment Request (AAR)

WHEN TO REPORT COVID TAX CREDITS

AS CITED IN IRS NOITCE 2021-49: SECTION 2301 (E) GENERALLY PROVIDES, IN RELEVANT PART, THAT RULES SIMILAR TO THE RULES OF SECTION 280C(A) OF THE CODE SHALL APPLY. SECTION 280C(A) REQUIRES TRACING TO THE SPECIFIC WAGES GENERATING THE APPLICABLE CREDIT. SEE, GENERALLY, TREAS. REG. § 1.280C-1. TO SATISFY THIS TRACING REQUIREMENT, THE TAXPAYER MUST FILE AN AMENDED RETURN OR AAR, AS APPLICABLE

PER IRS NOTICE 2021-49 SPECIFICALLY STATES THE CREDIT IS TO BE RELFECTED ON THE TAX RETURN IN WHICH THE WAGES WERE DEDUCTED THAT RECEIVED THE TAX CREDIT.

EMPLOYEE RETENTION TAX CREDITS

IN YEAR WAGES WERE DEDUCTED, REGARDLESS OF WHEN THE CREDIT WAS RECEIVED OR FILED FOR

FYI:

FAMILY & SICK LEAVE TAX CREDITS

IN YEAR WAGES WERE DEDUCTED, REGARDLESS OF WHEN THE CREDIT WAS RECEIVED OR FILED FOR

WHERE TO REPORT COVID TAX CREDITS

FOR BOTH TAX CREDITS

PER IRS INSTRUCTIONS FOR
SCHEDULE C or F
FORMS 1120-S, 1065 & 1120
SPECIFICALLY SEE THE INSTRUCTIONS REGARDING THE DEDUCTION OF "TAXES"
APPLIES TO BOTH REFUNDABLE AND NONREFUNDABLE PORTIONS OF THE CREDIT

EMPLOYEE RETENTION TAX CREDITS

REPORTED AS A REDUCTION OF WAGES

FYI:

FAMILY & SICK LEAVE TAX CREDITS

REPORTED AS "OTHER INCOME"



WHEN DO WAGES TO
BUSINESS OWNERS

&

THEIR SPOUSES

QUALIFY FOR

ERTC?

IRC SECTION 267(c)

(c)CONSTRUCTIVE OWNERSHIP OF STOCK

For purposes of determining, in applying subsection (b), the ownership of stock—

- (1)Stock owned, directly or indirectly, by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by or for its shareholders, partners, or beneficiaries;
- (2) An individual shall be considered as owning the stock owned, directly or indirectly, by or for his family;
- (3)An individual owning (otherwise than by the application of paragraph (2)) any stock in a corporation shall be considered as owning the stock owned, directly or indirectly, by or for his partner;
- (4) The family of an individual shall include only his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants; and
- (5)Stock constructively owned by a person by reason of the application of paragraph (1) shall, for the purpose of applying paragraph (1), (2), or (3), be treated as actually owned by such person, but stock constructively owned by an individual by reason of the application of paragraph (2) or (3) shall not be treated as owned by him for the purpose of again applying either of such paragraphs in order to make another the constructive owner of such stock.

DO OWNER'S WAGES QUALIFY FOR ERTC?

YES, IF 50% OR LESS OWNER IN THE BUSINESS

(CONSTRUCTIVE OWNERSHIP RULES APPLY UNDER IRC SECTION 267c)

DO SPOUSES WAGES QUALIFY FOR ERTC?
YES, IF UNDER IRC SECTION 267c,
THERE IS 50% OR LESS CONSTRUCTIVE OWNERSHIP IN THE BUSINESS

DO RELATIVE'S WAGES QUALIFY FOR ERTC?
YES, IF UNDER IRC SECTION 267c,
THERE IS 50% OR LESS OWNERSHIP IN THE BUSINESS

DOES A 100% OWNER'S WAGES AND SPOUSE QUALIFY FOR ERTC?

NO. THIS IS A MAJORITY OWNER, OWNING MORE THAN 50%, AND IS DISQUALIFIED YES, IF THE MAJORITY OWNER (& IF MARITAL SPOUSE) HAVE NO BROTHER OR SISTER WHETHER WHOLE OR HALF-BLOODED, ANCESTOR, OR LINEAL DESCENDANT AS DEFINED IN SECTION 267(c)(4) of the CODE.

DOES THE ZERO PERCENT OWNER SPOUSE'S WAGES QUALIFY, IF THE OTHER SPOUSE IS A MORE THAN 50% OWNER?

NO. UNDER IRC SECTION 267c, EACH MARITAL PARTNER IS DEEMED TO BE A MORE THAN 50% OWNER FOR ERTC PURPOSES, EVEN IF ONE SPOUSE TECHNICALLY OWNS NO PERCENTAGE.

YES, IF THE MAJORITY OWNER AND MARITAL SPOUSE HAVE NO BROTHER OR SISTER WHETHER WHOLE OR HALF-BLOODED, ANCESTOR, OR LINEAL DESCENDANT AS DEFINED IN SECTION 267(c)(4) of the CODE.

DO WAGES OF TWO MARITAL PARTNERS WHO EACH ONLY OWN 50% QUALIFY FOR ERTC?

NO. UNDER IRC SECTION 267c, EACH MARITAL PARTNER IS DEEMED TO BE A MORE THAN 50% OWNER FOR ERTC PURPOSES, AND BOTH ARE DISQUALIFIED.

YES, IF THE MAJORITY OWNER AND MARITAL SPOUSE HAVE NO BROTHER OR SISTER WHETHER WHOLE OR HALF-BLOODED, ANCESTOR, OR LINEAL DESCENDANT AS DEFINED IN SECTION 267(c)(4) of the CODE.

DO WAGES OF TWO MARITAL PARTNERS QUALIFY FOR ERTC WHERE ONE OWNS 10% AND THE OTHER OWNS 90%?

NO. UNDER FAMILY ATTRIBUTION RULES, EACH MARITAL PARTNER IS DEEMED TO BE A MORE THAN 50% OWNER FOR ERTC PURPOSES, AND BOTH ARE DISQUALIFIED.

YES, IF THE MAJORITY OWNER AND MARITAL SPOUSE HAVE NO BROTHER OR SISTER WHETHER WHOLE OR HALF-BLOODED, ANCESTOR, OR LINEAL DESCENDANT AS DEFINED IN SECTION 267(c)(4) of the CODE.

DO WAGES OF ANY OF THESE INDIVIDUALS QAULIFY FOR ERTC IF

HUSBAND OWNS 20%

WIFE OWNS 20%

FATHER OWNS 20%

MOTHER OWNS 20%

DAUGHTER OWNS 10%

COMPLETELY UNRELATED INDIVIDUAL 10%
SPOUSE OF THE COMPLETELY UNRELATED INDIVIDUAL (AND OWNS NO %)

EVERYONE RELATED LISTED ABOVE IS DEEMED TO BE A MORE THAN 50% OWNER FOR ERTC PURPOSES, AND ALL ARE DISQUALIFIED BECAUSE CONSTRUCTIVELY EACH RELATED PARTY IS CONSIDERED A MAJORITY OWNER UNDER IRC SECTION 267c

FOR THE UNRELATED INDIVIDUAL. THE WAGES PAID TO THAT INDIVIDUAL AND THAT INDIVIDUALS SPOUSE ARE INCLUDED FOR ERTC

WHAT IF

DAD OWNS 100% AND IS EMPLOYEE OF BUSINESS.

SON OWNS NONE AND IS NOT AN EMPLOYEE OF THE BUSINESS.

DAD CANNOT INCLUDED WAGES FOR ERTC UNDER IRC SECTION 267c.

BIGGEST QUESTIONS WITH BUSINESS OWNER'S & SPOUSES WAGES QUALIFYING FOR ERTC? DO SELF-EMPLOYED INDIVIDUALS OR PARTNERS QUALIFY FOR ERTC? NO. SELF-EMPLOYED INCOME IS NOT WAGES AND PARTNERS CANNOT PAY THEMSELVES WAGES. WITH NO WAGES. THERE IS NO ERTC.

DO SELF-EMPLOYED INDIVIDUALS OR PARTNERS "SPOUSES" WAGES QUALIFY FOR ERTC?

IRC SECTION 267c STILL APPLIES

NO, IF FOR SELF-EMPLOYED AS SELF-EMPLOYED BY DEFAULT IS 100% OWNER

YES, IF THE SELF-EMPLOTYED (AND IF MARITAL SPOUSE) HAVE NO BROTHER OR SISTER (WHETHER WHOLE OR HALF-BLOODED), ANCESTOR, OR LINEAL DESCENDANT AS DEFINED IN SECTION 267(c)(4) of the CODE

DO SELF-EMPLOYED PARTNERS OR PARTNERS "SPOUSES" WAGES QUALIFY FOR ERTC?

IRC SECTION 267c STILL APPLIES

NO, FOR MAJORITY OWNER OF A PARTNERSHIP

YES, IF THE PARTNER (AND IF MARITAL SPOUSE) HAVE NO BROTHER OR SISTER (WHETHER WHOLE OR HALF-BLOODED), ANCESTOR, OR LINEAL DESCENDANT AS DEFINED IN SECTION 267(c)(4) of the CODE



Early Termination of the ERTC for Most Employers (IRS 11/29/21)

The Infrastructure Investment and Jobs Act amends section 3134 of the Internal Revenue Code to limit the availability of the employee retention credit in the fourth quarter of 2021 to taxpayers that are recovery startup businesses, as defined in section 3134(c)(5). Therefore, taxpayers that are not recovery startup businesses are not eligible for the employee retention credit for wages paid after September 30, 2021.

Some taxpayers that are no longer eligible to claim the employee retention credit for wages paid after September 30, 2021 may have already reduced their employment tax deposits in anticipation of claiming the employee retention credit for the fourth quarter of 2021. These taxpayers should monitor guidance issued by the IRS to learn if they must take any action regarding these amounts.

Some taxpayers may have already submitted Form 7200 to request an advance payment of the employee retention credit for the fourth quarter of 2021. If the Form 7200 hasn't been processed, the IRS will use the taxpayer's indication of whether it is a recovery startup business (Form 7200, Part 1, line H) as part of its determination regarding whether the Form 7200 claiming the employee retention credit in the fourth quarter of 2021 should be accepted or rejected. If an advance payment of the employee retention credit for the fourth quarter of 2021 was already sent to a taxpayer that is no longer eligible to claim the employee retention credit for the fourth quarter of 2021 because it is not a recovery startup business, the taxpayer will still include that advance payment on the appropriate line of its employment tax return (for example, Form 941, Part 1, line 13h) for the quarter. In this case, the taxpayer may have a balance due when it files that employment tax return. Taxpayers should continue to monitor guidance issued by the IRS to learn if they should take any additional action regarding these amounts.

NEW: EARLY TERMINATION OF ERTC 9/30/2

12/10/2021

IRS OFFICIAL GUIDANCE (Links Provided) **IRS NOTICE 2021-20**

• Addresses calendar year 2020, and the basics of the rules for ERTC for Covid-19 purposes

IRS NOTICE 2021-23

Addresses 1st & 2nd quarter of 2021 ERTC, and differences from the 2020 ERTC

IRS REVENUE PROCEDURE 2021-33

Addresses gross receipts related to ERTC, either year

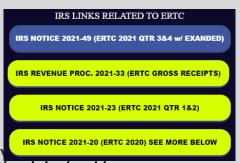
IRS NOTICE 2021-49

Acknowledges 3rd & quarter of 2021 ERTC, and expands on ERTC issues (many

years)

IRS NOTICE 2021-65

Guidance on ERTC ending early and repayment of advanced payments and reduce payroll deposits in anticipation of the ERTC for 4th quarter 2021.





IRS RULES ON **ERTC**

IRS NOTICE 2021-20: REFERENCE OF Q&A IN NOTICE

REFER TO THE NOTICE FOR THE ANSWERS. BUT THIS WILL HELP YOU FIND THE SUBJECT MATTER QUICKER

Question 1: What is a "trade or business" for purposes of the employee retention credit?

Question 2: How does an organization determine if it is considered an "instrumentality" of the Federal government, or of a State or local government, for purposes of the employee retention credit?

Question 3: Are tribal governments and tribal entities eligible for the employee retention credit?

Question 4: Are employers in U.S. Territories eligible for the employee retention credit?

Question 5: Are self-employed individuals eligible for the employee retention credit? No.

Question 6: Are household employers eligible for the employee retention credit? No.

Question 7: What is the general impact of the aggregation rules that treat certain entities as a single employer?

Question 8: How is the employee retention credit allocated to an eligible employer that is a member of an aggregated group? According to payroll.

Question 9: How do the aggregation rules apply to tribes and tribal entities?

Question 10: What "orders from an appropriate governmental authority" may be taken into account by an employer for purposes of determining eligibility for the employee retention credit?

Question 11: If a governmental order requires non-essential businesses to suspend operations but allows essential businesses to continue operations, is an essential business considered to have a full or partial suspension of operations due to a governmental order? Yes, if non-essential more than 10% of gross receipts.

Question 12: If a governmental order causes the suppliers to a business to suspend their operations, is the business considered to have a suspension of operations due to a governmental order? Yes.

Question 13: If a governmental order causes the customers of a business to stay at home, or otherwise causes a reduction in demand for its products or services, and the business responds to the lack of demand by suspending some or all of its operations, is the business considered to have a suspension of operations due to a governmental order? No.

NOMINAL PORTION OF BUSINESS COMPARING ESSENTIAL & NON-ESSENTIAL PORTIONS OF THE BUSINESS

IRS NOTICE 2021-20

Question 11: If a governmental order requires non-essential businesses to suspend operations but allows essential businesses to continue operations, is an essential business considered to have a full or partial suspension of operations due to a governmental order?

10%

NOMINAL PORTION OF BUSINESS COMPARING ESSENTIAL & NON-ESSENTIAL PORTIONS OF THE BUSINESS

Answer 11: An employer that operates an essential business is not considered to have a full or partial suspension of operations if the governmental order allows all of the employer's operations to remain open. However, an employer that operates an essential business may be considered to have a partial suspension of operations if, under the facts and circumstances, more than a nominal portion of its business operations are suspended by a governmental order. For example, an employer that maintains both essential and non-essential business operations, each of which are more than nominal portions of the business operations, may be considered to have a partial suspension of its operations if a governmental order restricts the operations of the non-essential portion of the business, even if the essential portion of the business is unaffected. In addition, an essential business that is permitted to continue its operations may, nonetheless, be considered to have a partial suspension of its operations if a governmental order requires the business to close for a period of time during normal working hours.

Solely for purposes of this employee retention credit, a portion of an employer's business operations will be deemed to constitute more than a nominal portion of its business operations if either (i) the gross receipts from that portion of the business operations is not less than 10 percent of the total gross receipts (both determined using the gross receipts of the same calendar quarter in 2019), or (ii) the hours of service performed by employees in that portion of the business is not less than 10 percent of the total number of hours of service performed by all employees in the employer's business (both determined using the number of hours of service performed by employees in the same calendar quarter in 2019).

REFER TO THE NOTICE FOR THE ANSWERS. BUT THIS WILL HELP YOU FIND THE SUBJECT MATTER QUICKER

LIST OF FAQS FOR REFERENCE IN NOTICE 2021-2

Question 14: If an employer voluntarily suspends operation of a trade or business or voluntarily reduces hours due to COVID-19, but the suspension or reduction in hours is not due to a governmental order, may the employer qualify as an eligible employer solely on the basis of the voluntary suspension or reduction in hours?

Question 15: If a governmental order requires an employer to close its workplace, but the employer is able to continue operations comparable to its operations prior to the closure by requiring employees to telework, is the employer considered to have a suspension of operations?

Question 16: What factors should be considered in determining if an employer is able to continue operations comparable to its operations prior to closure such that the employer's operations are not considered to have been fully or partially suspended due to a governmental order?

Question 17: If a governmental order requires an employer to close its workplace for certain purposes, but the workplace may remain operational for other limited purposes, is the employer considered to have a suspension of operations due to the governmental order?

Question 18: What factors should be taken into account in determining whether a modification required by a governmental order has more than a nominal effect on business operations for purposes of Q/A–17?

Question 19: Are an employer's operations considered to be partially suspended for purposes of the employee retention credit if the employer is required to reduce its operating hours by a governmental order?

Question 20: Is an employer that operates a trade or business in multiple locations and is subject to governmental orders requiring full or partial suspension of its operations in some jurisdictions, but not in others, considered to have a partial suspension of operations? Yes.

Question 21: If the operations of a trade or business of one member of an aggregated group are fully or partially suspended due to a governmental order, are the operations of the trade or business of the other members of the aggregated group considered to be fully or partially suspended for purposes of the employee retention credit?

Question 22: If an employer is subject to a governmental order to fully or partially suspend its business operations and the order is subsequently lifted in the middle of a calendar quarter, is the employer an eligible employer for the entire calendar quarter? No.

Question 23: How is the period during which there is a significant decline in gross receipts determined?

Question 24: What are "gross receipts" for an employer other than a tax-exempt organization?

Question 25: What are "gross receipts" for a tax-exempt employer?

REFER TO THE NOTICE FOR THE ANSWERS, BUT THIS WILL HELP YOU FIND THE SUBJECT MATTER QUICKER

LIST OF FAQS FOR REFERENCE IN NOTICE 2021-2

Question 26: For members of an aggregated group, is a significant decline in gross receipts determined based on the entire group?

Question 27: How does an employer that started its business in 2019 determine whether it experienced a significant decline in gross receipts for purposes of the employee retention credit?

Question 28: How does an employer that acquires a trade or business during the 2020 calendar year determine if the employer experienced a significant decline in gross receipts?

Question 29: How is the maximum amount of the employee retention credit available to eligible employers determined?

Question 30: What are "qualified wages"?

Question 31: How does an eligible employer identify the average number of full-time employees employed during 2019?

Question 32: For members of an aggregated group, is the average number of full-time employees determined based on the entire group? Yes.

Question 33: What wages may a small eligible employer treat as qualified wages?

Question 34: What wages may a large eligible employer treat as qualified wages?

Question 35: May a large eligible employer claim an employee retention credit for an increase in the amount of wages it paid its employees during the time that employees are not providing services?

Question 36: May a large eligible employer treat the wages paid to hourly and non-exempt salaried employees for hours for which they are not providing services as qualified wages for purposes of the employee retention credit?

Question 37: May a large eligible employer treat wages paid to exempt salaried employees for time for which they are not providing services as qualified wages for purposes of the employee retention credit?

Question 38: May an eligible employer treat wages paid to employees pursuant to a pre-existing vacation, sick and other personal leave policy as qualified wages for purposes of the employee retention credit?

Question 39: May an eligible employer treat payments made to former employees who have terminated employment as qualified wages for purposes of the employee retention credit?

Question 40: Do qualified health plan expenses include both the portion of the cost paid by the eligible employer and the portion of the cost paid by the employee?

REFER TO THE NOTICE FOR THE ANSWERS, BUT THIS WILL HELP YOU FIND THE SUBJECT MATTER QUICKER

LIST OF FAQS FOR REFERENCE IN NOTICE 2021-2

Question 41: May a small eligible employer treat its health plan expenses as qualified wages for purposes of the employee retention credit? Yes.

Question 42: May a large eligible employer treat its health plan expenses as qualified wages for purposes of the employee retention credit if the expenses are allocable to the time that employees were not providing services?

Question 43: For an eligible employer that sponsors more than one plan for its employees (for example, both a group health plan and a health flexible spending arrangement (health FSA)), or more than one plan covering different employees, how are the qualified health plan expenses for each employee determined?

Question 44: For an eligible employer that sponsors a fully-insured group health plan, how are the qualified health plan expenses of that plan allocated on a prorata basis?

Question 45: For an eligible employer that sponsors a self-insured group health plan, how are the qualified health plan expenses of that plan allocated on a pro rata basis?

Question 46: For an eligible employer who contributes to a health savings account (HSA), or Archer Medical Saving Account (Archer MSA) and sponsors a high deductible health plan (HDHP), are contributions to the HSA or Archer MSA included in the qualified health plan expenses?

Question 47: For an eligible employer who sponsors a health reimbursement arrangement (HRA), a health flexible spending arrangement (health FSA), or a qualified small employer health reimbursement arrangement (QSEHRA), are contributions to the HRA, health FSA, or QSEHRA included in the qualified health plan expenses?

Question 48: Are health plan expenses that are allocable to qualified sick leave wages and qualified family leave wages for purposes of credits available under sections 7001 and 7003 of the FFCRA excluded from the definition of qualified wages for purposes of the employee retention credit?

Question 49: May an employer that received a PPP loan be eligible for the employee retention credit? Yes, just not on the same payroll.

Question 50: How does an eligible employer claim the employee retention credit for qualified wages?

Question 51: Can an eligible employer receive an advance payment of the employee retention credit if the eligible employer does not have sufficient federal employment taxes set aside for deposit to cover the amount of the anticipated credit?

Question 52: Is there a minimum advance amount that can be claimed on a Form 7200?

Question 53: What is the last day eligible employers may submit a Form 7200 requesting an advance payment of the employee retention credit for qualified wages paid in 2020?

REFER TO THE NOTICE FOR THE ANSWERS, BUT THIS WILL HELP YOU FIND THE SUBJECT MATTER QUICKER

LIST OF FAQS FOR REFERENCE IN NOTICE 2021-2

Question 54: Who can sign a Form 7200? Should a taxpayer submit additional documents to confirm that a person is authorized to sign a Form 7200?

Question 55: For eligible employers that include multiple entities treated as a single employer for purposes of the employee retention credit under the aggregation rules, will the individual entities separately report their credit on their federal employment tax returns?

Question 56: May an eligible employer elect to not take into account qualified wages for purposes of the employee retention credit?

Question 57: May an eligible employer that files quarterly federal employment tax returns take into account qualified wages paid in a past calendar quarter in which the eligible employer may have been entitled to claim the credit, but elected not to do so?

Question 58: How does an eligible employer use the special fourth quarter rule in section 206(e)(2) of the Relief Act?

Question 59: Are qualified wages excluded from gross income as "qualified disaster relief payments"?

Question 60: Does the employee retention credit reduce the expenses that an eligible employer could otherwise deduct on its federal income tax return? Yes.

Question 61: Does an eligible employer receiving an employee retention credit for qualified wages need to include any portion of the credit in income? No.

Question 62: Can an eligible common law employer that uses a third-party to report and pay employment taxes to the IRS get the employee retention credit?

Question 63: May a payroll reporting agent sign and submit Form 7200 on behalf of a client employer?

Question 64: When should the name and EIN of a third-party payer be included on Form 7200?

Question 65: If a common law employer uses a third-party payer for only a portion of their workforce, should the employer list the third-party payer on the Form 7200?

Question 66: What information must third-party payers obtain from their client employers to claim the employee retention credit on their client employer's behalf?

Question 67: May third-party payers rely on client employer information regarding the employee retention credit?

Question 68: Upon request by the IRS, what records must third-party payers obtain from their client employers to substantiate the client employer's eligibility for the employee retention credit?

REFER TO THE NOTICE FOR THE ANSWERS, BUT THIS WILL HELP YOU FIND THE SUBJECT MATTER QUICKER

LIST OF FAQs FOR REFERENCE IN NOTICE 2021-20

Question 69: Are client employers responsible for avoiding a "double benefit" with respect to the employee retention credit and the credit under section 45S of the Code?

Question 70: What records should an eligible employer maintain to substantiate eligibility for the employee retention credit?

Question 71: How long should an eligible employer maintain records to substantiate eligibility for the employee retention credit?

IRS NOTICE 2021-23 RELATED TO 1st & 2nd QUARTERS IN 2021 (HIGHLIGHTS)

EXTENSION OF ERTC TO 1ST & 2ND QUARTER 2021

FOOTNOTE #1 on PAGE 3 REFERENCES ISSUES LATER ADDRESSED IN IRS NOTICE 2021-49

ELIGIBLE EMPLOYERS EXPANDED TO INCLUDE CERTAIN NON-PROFITS

SEE PAGE 4 FOR DETAILS AS THEY ARE VERY SPECIFIC

IRS REVENUE PROC. 2021-33 (ERTC GROSS RECEIPTS

DECLINE IN GROSS RECEIPTS CHANGED TO 20%

COMPARING QUARTERS IN 2021 TO CORRELATING QUARTER IN 2019
2021 QUARTER 1 COMPARED TO 2019 QUARTER 1
2021 QUARTER 2 COMPARED TO 2019 QUARTER 2

IN IRS NOTICE 2021-49 THIS CONFIRMS THIS IS THE SAME FOR THE REMAINING QUARTERS IN 2021

2021 QUARTER 3 COMPARED TO 2019 QUARTER 3 2021 QUARTER 4 COMPARED TO 2019 QUARTER 4

PROVIDES FOR AN "ALTERNATIVE" METHOD TO DETERMINE ERTC QUALIFICATION FOR THE QUARTER (STILL REQUIRES A 20% DECREASE IN GROSS RECEIPTS)

THIS ALLOWS THE IMMEDIATE PREVIOUS QUARTER TO BE USED TO DETERMINE IF THE EMPLOYER QUALIFIES FOR THE CURRENT QUARTER THIS IS NOT THE SAME AS 2020, AS THERE IS NO AUTOMATIC QUALIFICATION. EACH QUARTER IS A STAND-ALONE

THE "ALTERNATIVE QUARTER TO CALCULATE GROSS RECEIPTS" IS AS FOLLOWS (PLEASE REVIEW CAREFULLY)

TO QUALIFY FOR 1ST QUARTER 2021:

2020 QUARTER 4 COMPARED TO 2019 QUARTER 4

TO QUALIFY FOR 2ND QUARTER 2021:

2021 QUARTER 1 COMPARED TO 2019 QUARTER 1

IN IRS NOTICE 2021-49 THIS CONFIRMS THE ALTERNATIVE METHOD IS CONTINUED FOR THE REMAINING QUARTERS IN 2021

TO QUALIFY FOR 3RD QUARTER 2021:

2021 QUARTER 2 COMPARED TO 2019 QUARTER 2

TO QUALIFY FOR 4TH QLANTER 2021:

2021 QUARTER 3 COMPARED TO 2019 QUARTER 3

IRS NOTICE 2021-23 RELATED TO 1st & 2nd QUARTERS IN 2021 (HIGHLIGHTS)

ERTC CREDIT IS CHANGED TO 70% FOR 2021

MAXIMUM CREDIT PER EMPLOYEE IS \$7,000 (PER QUARTER)

CHANGES EMPLOYER SIZE FOR APPLICATION OF CERTAIN RULES

500 OR LESS STILL BASED ON 2019 is SMALL EMPLOYER MORE THAN 500 STILL BASED ON 2019 is LARGE EMPLOYER

AGGREGATION RULES STILL APPLY

MUST COUNT ALL EMPLOYEES IN AN AGGREGATED GROUP TO DETERMINE EMPLOYER SIZE

FOR LARGE EMPLOYERS (500 OR MORE EMPLOYEES IN 2019)

THERE IS NO LONGER A LIMITATION ON WAGES ONLY SPECIFIC TO STRIKING THE RULE OF LIMITING WAGES TO THE EQUIVALENT OF THE 30 DAYS IMMEDIATELY PRECEDING THE COMMENCEMENT OF QUALIFIED PERIOD PER IRS NOTICE 2021-49, THIS CONTINUES FOR THE REMAINING QUARTERS IN 2021 (EXCEPT EFFECTIVE 11/15/2021, ERTC ENDS 9/30/21)

CLARIFIES THAT "WAGES" MEANS ALL REMUNERATION FOR EMPLOYMENT UNDER SECTION 3121 (a)

CLARIFIES THE DEFINITION OF "EMPLOYMENT" UNDER SECTION 3121 (b)

CANNOT CLAIM ERTC ON WAGES USED FOR TAX CREDITS SECTION 45-S

SECTION 45-S IS THE EMPLOYER CREDIT FOR PAID FAMILY & MEDICAL LEAVE

FOR EMPLOYEES QUALIFYING FOR THE WORK OPPORTUNITY CREDIT (WOC)

IN 2020, SUCH EMPLOYEES WAGES WERE EXCLUDED DURING THAT TIME PERIOD, REGARDLESS IF THE CREDIT WAS TAKEN IN 2021, SUCH EMPLOYEES WAGES CAN BE INCLUDED DURING THAT TIME PERIOD, BUT NOT WAGES USED FOR THE WOC

CONFIRMS WAIVER OF EMPLOYMENT TAX DEPOSIT PENALTIES RELATED ANTICIPATION OF ERTC

IF AN EMPLOYER OBTAINS AN ADVANCE ERTC, BUT LATER IS DETERMINED TO BE TOO MUCH,
IF DUE TO REASONABLE ANTICIPATION
AND IF THE TAX IS PAID UPON LEARNING OF THE ADJUSTMENT. NO LATER THAN THE NORMAL FORM 941 DUE DATE



IRS NOTICE 2021-23 RELATED TO 1st & 2nd QUARTERS IN 2021 (HIGHLIGHTS)

THE MAXIMUM ADVANCED ERTC ALLOWED IS LIMITED

NOTE THIS IS REGARDING TAKING THE ERTC BEFORE THE FILING OF FORM 941 (ESTIMATED ERTC TAKEN IN ADVANCE)

THIS DOES NOT PROVIDE A MAXIMUM OF THE ACTUAL ERTC

LIMITED TO 70% OF AVERAGE WAGES IN THE CORRELATING QUARTER IN 2019

SEE PAGES 13-17

FOR ADDITIONAL DETAILS FOR EMPLOYERS THAT HAVE

NOT BEEN IN BUSINESS IN PART OR ALL OF 2019

HAVE SEASONAL EMPLOYEES

COMES INTO EXISTENCE IN 2021

IN AGRICULTURAL INDUSTRY (FILING ANNUAL FORM 943)

FILES FORM 944 OR CT-1

DEFINING "WHAT AVERAGE WAGES"

LINE 5c ON FORM 941 (TAXABLE MEDICARE WAGES & TIPS)

SEE ADDITIONAL DEFINITION FOR THOSE FILING ANNUAL FORM 943 IN AGRICULTURAL INDUSTRY

Gross receipt exclusions clarified for ERTC Revenue Procedure 2021-33: SAFE HARBOR

- Under the safe harbor, Paycheck Protection Program forgiveness, SVO Grants, Restaurant Revitalization Grants can be excluded from gross receipts for determining eligibility for the Employee Retention Tax Credit.
- These other programs are exempt from "gross income" for tax purposes.
- For ERTC purposes, "gross receipts" includes tax-exempt income.
- Nonetheless, the safe harbor is allowing for the exclusion of the above programs from "gross receipts" specific only the ERTC calculation of determining a reduction in "gross receipts."
- The safe harbor is elected by simply NOT including the above programs in the calculation.
- The safe harbor is not required, and can be revoked by later not taking the safe harbor in the ERTC calculation.
- IRS Notice 2021-49 confirms this applies to 3rd & 4th quarter 2021.

IRS NOTICE 2021-23 (ERTC 2021 QTR 1&2)

- The Internal Revenue Service and the Treasury Department released guidance on the employee retention tax credit, including guidance for employers who pay qualified wages for 3^{rd} and 4^{th} quarter 2021, with the same rules in effect for 1^{st} & 2^{nd} quarters in 2021 (unless otherwise noted).
- The 70% remains in effect for 3rd quarter, as well as the maximum being determine by quarter.
- The IRS and the Treasury guidance in Notice 2021-49 deals also with how various issues apply to the employee retention credit in both 2020 and 2021, amplifying earlier guidance offered earlier this year in Notice 2021-20 and Notice 2021-23.
- The new notice explains changes made by the American Rescue Plan Act of 2021 to the employee retention credit that are applicable to the third and fourth quarters of 2021.

IRS NOTICE 2021-49 (ERTC 2021 QTR 3&4 w/ EXANDED)

- For 3rd & 4th quarter 2021, the ERTC will be applied against employer "Medicare" payroll taxes.
 - Previously, the ERTC is applied against employer "Social Security" payroll taxes
 - Form 941 and Form 941x will include the calculation changes, most notably on Worksheet 1
 - The ERTC in excess of the employers "Medicare" payroll taxes is still considered a refundable credit
- Expanding the definition of eligible employer to include "recovery startup businesses."
 - Only applies to 3rd & 4th quarter 2021 (page 7)
 - Recovery startup businesses are those that began carrying on a trade or business after 2/15/2020 and had less than \$1 million in annual gross receipts, along with several other conditions.
 - Must qualify in each quarter.
 - The maximum ERTC is \$50,000 for each quarter.
 - Unless the business does not qualify as this type of business for 4th quarter, no limit
 - Aggregation rules apply
 - See pages 6-11 for further details as this is rare circumstances
 - NOTE: CONTINUES TO QUALIFY IN 4th QUARTER, EVEN WITH LAW CHANGE ON 11/15/21

- Modifying the definition of qualified wages for "severely financially distressed employers"
 - Benefits large employers with more than 500 employees in 2019
 - Removes the large employer restriction on defining qualified wages to only include wages paid to employee not providing services
 - This allows a large employer to include all wages paid to employees under same rules a small employer in 2021 (500 or less employees in 2019)
 - An employer that has gross receipts that are less than 10% of correlating quarter in 2019
 - This would equate to a more than 90% decrease in gross receipts
 - This does NOT mean the gross receipts test of a 20% decline has changed
 - Only applies to 3rd & quarter of 2021
 - Quarter 3 2021 compared to 3rd quarter 2019
 - Quarter 4 2021 compared to 4th quarter 2019
 - The alternative method of determining 90% gross receipts decline also applies
 - Quarter 3 can qualify by comparing quarter 2 2021 to 2nd quarter 2019
 - Quarter 4 can qualify by comparing quarter 3 2021 to 3rd quarter 2019

- Excess advance on ERTC (filing Form 7200 and/or reducing payroll tax deposits)
 - Treat the excess advance as "additional tax" (page 19)
- Statute of limitations for the IRS to assess additional tax related to ERTC
 - 5 years
 - Extended statute of limitations only applies to 3rd & quarter 2021
 - This does NOT extend the time the employer has to claim the ERTC.
 - Rules per Form 941x remain in place for the employer
- Full-time employee "equivalents" in determining employer size for ERTC purposes
 - No, employers do not calculate employees based on "equivalents"

- Excluded from qualified wages (page 22)
 - "Tips" paid in any medium other than cash
 - If tips were paid NOT in "cash," it is NOT included in qualified wages for ERTC
- Included in qualified wages (page 22)
 - "Tips" \$20 or more paid in cash (and reported as wages by the employer)
- An employer can take advantage of both ERTC and the "tip tax credit" under Section 45-B (pages 22-24)
 - The same wages can be used for both tax credits

- Timing of qualified wages deduction disallowance
 - Defines when the employer must take the reduction in wages for tax purposes
 - The tax year in which the qualified wages were paid or incurred is the tax year that wages must be reduced
 - If the wages were paid or incurred in 2020, the reduction of wages is reported on the 2020 tax return
 - Same for 2021
 - Amending a payroll tax filing does not change the timing (year) of the reduction
 - Form 941x is filed in 2021 for any quarter in 2020
 - The tax credit is refunded in 2021 or applied to a future quarter in 2021
 - The reduction in wages is applied to tax year 2020
 - What if the employer already filed a income tax return for 2020
 - IRS recommends the employer file an amended income tax return for 2020
 - OR an Administrative Adjustment Request (AAR)

- Related individuals further defined, as well as addressing majority owner & spouses wages
 - Also see examples in the IRS Notice on pages 30-31
 - Rules did not change, but were expanded upon
 - Family attribution rules apply, possible making related parties constructive majority owners
 - Section 267(c) of the Code provides rules for constructive ownership
 - Majority owner wages are excluded from qualified wages for ERTC
 - Spouses of majority owners are excluded from qualified wages for ERTC
 - EXCEPTION to the rule of majority owner and spouses of majority owners wages being excluded
 - IF THE MAJORITY OWNER (& IF MARITAL SPOUSE) HAVE NO BROTHER OR SISTER WHETHER WHOLE OR HALF-BLOODED, ANCESTOR, OR LINEAL DESCENDANT AS DEFINED IN SECTION 267(c)(4) of the CODE
 - RESTATED
 - IF THE MAJORITY OWNER (& IF MARITAL SPOUSE) HAS A BROTHER OR SISTER WHETHER
 WHOLE OR HALF-BLOODED, ANCESTOR, OR LINEAL DESCENDANT AS DEFINED IN SECTION
 267(c)(4) of the CODE, THE WAGES OF THE MAJORITY OWNER AND THE SPOUSE OF THE
 MAJORITY OWNER ARE DISQUALIFIED

- Alternative quarter election in determining reduction in gross receipts
 - Applies to quarters 3 of 2021
 - Employer does NOT need to consistently apply the election to quarters in 2021
 - Example: Employer could use the alternative method for quarter 2 of 2021,
 - but not quarter 3 of 2021
 - The election is made by simply using this calculation to qualify the quarter
- Permits an employer that acquires a business to include the gross receipts of the acquired business when determining the decline in gross receipts for ERTC purposes (IRS Notice 2021-49, page 33)

IRS offers further guidance on ERTC ending 9/30/21 (IRS NOTICE 2021-65)

- Employers that received an advance payment of the employee retention credit (ERC) or reduced their employment tax deposits in anticipation of receiving the ERC for the fourth calendar quarter of 2021 may repay or deposit the taxes without penalty under new IRS guidance.
- Recovery startup businesses under Sec. 3134(c)(2)) are still eligible for 4th quarter 2021.
- Employers that received such advance payments (Form 7200) may repay them by the due date of their applicable employment tax return that includes the fourth calendar quarter of 2021 and so avoid failure-to-pay penalties. This would be January 31, 2022.
- Employers that reduced their deposits due with respect to wages paid on or after Oct. 1, 2021, but before Jan. 1, 2022, by the amount of an ERC they expected to claim (and are not recovery startup businesses) must deposit those taxes. They may have penalties waived for failing to deposit those taxes, but only with respect to deposits due before Dec. 20, 2021. The IRS will not waive failure-to-deposit penalties for such reductions after Dec. 20, 2021.

NEW: IRS NOTICE 2021-65 (PAY BACK ERTC 4th QTR 2021

IRS offers further guidance on ERTC waiver of failure-to-deposit penalties (IRS NOTICE 2021-65)

The waiver of failure-to-deposit penalties is also subject to three other conditions:

- 1. The employer reduced its deposits in anticipation of the ERC, consistent with the rules provided in Section 3.b. of Notice 2021-24;
- 2. The employer deposits the amounts it had retained in anticipation of claiming the ERC on or before the relevant due date for employment taxes with respect to wages paid on Dec. 31, 2021, (regardless of whether the employer actually pays wages on that date); and
- 3. The employer reports the tax liability resulting from the termination of the employer's ERC on the applicable employment tax return or schedule that includes the period from Oct. 1, 2021, through Dec. 31, 2021.



ERTC

IS RETROACTIVE BACK TO WAGES PAID AFTER 3/12/2020

THROUGH 9/30/2021

93

IF AMENDING FORM 941-X FOR THE ERTC IN 1st QUARTER 2020, YOU DO NOT AMEND 1st QUARTER 2020! IT IS INCLUDED IN 2nd QUARTER 2020. AMEND 2nd QUARTER 2020 FORM 941 WITH 1st QUARTER 2020 AMOUNTS. REMEMBER ONLY WAGES AFTER 3/12/2020

Instructions for Form 941-X



(Rev. October 2020)

Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund

 Corrections to amounts reported on Form 941, lines 11c, 13d, 21, and 22, for the employee retention credit are reported on Form 941-X, lines 18, 26, 30, and 31, respectively. Corrections to Form 941, lines 24 and 25, are reported on Form 941-X, lines 33a and 34, respectively (these lines are only used for the second quarter of 2020). For more information about the

94

REGARDLESS OF HOW YOU GO ABOUT GETTING THE ACTUAL ERTC

(THE CREDIT... i.e. THE MONEY)

YOU MUST REPORT THE WAGES, ETC.

ON FOR 941

& IF NOT, THEN ON 941-X



2020: QUALIFIED WAGES INCLUDE

IF DURING THE FULL OR PARTIAL SUSPENSION OF THE OPERATION OF THEIR TRADE OR BUSINESS DURING ANY CALENDAR QUARTER BECAUSE OF GOVERNMENTAL ORDERS LIMITING COMMERCE, TRAVEL, OR GROUP MEETINGS DUE TO COVID-19

THE QUALIFIED WAGES ARE THE ACTUAL WAGES ONLY INCURRED DURING THE PERIOD OF SUSPENSION

IF DURING A QUARTER WITH A SIGNIFICANT DECLINE IN GROSS RECEIPTS

THE QUALIFIED WAGES ARE WAGES INCURRED DURING THE APPLICABLE QUARTER

UP TO \$10,000 OF WAGES PER EMPLOYEE FOR ALL 2020

MAXIMUM CREDIT PER EMPLOYEE IS \$5,000 FOR ALL 2020

2020: QUALIFIED WAGES INCLUDE

THE DEFINITION OF QUALIFIED WAGES ALSO DEPENDS ON HOW MANY EMPLOYEES AN ELIGIBLE EMPLOYER HAS

IF AN EMPLOYER AVERAGED MORE THAN 100 FULL-TIME EMPLOYEES DURING 2019, QUALIFIED WAGES ARE GENERALLY THOSE WAGES, INCLUDING CERTAIN HEALTH CARE COSTS, (UP TO \$10,000 PER EMPLOYEE) PAID TO EMPLOYEES THAT ARE NOT PROVIDING SERVICES BECAUSE OPERATIONS WERE SUSPENDED OR DUE TO THE DECLINE IN GROSS RECEIPTS. THESE EMPLOYERS CAN ONLY COUNT WAGES UP TO THE AMOUNT THAT THE EMPLOYEE WOULD HAVE BEEN PAID FOR WORKING AN EQUIVALENT DURATION DURING THE 30 DAYS IMMEDIATELY PRECEDING THE PERIOD OF ECONOMIC HARDSHIP.

IF AN EMPLOYER AVERAGED 100 OR FEWER FULL-TIME EMPLOYEES DURING 2019, QUALIFIED WAGES ARE THOSE WAGES, INCLUDING HEALTH CARE COSTS, (UP TO \$10,000 PER EMPLOYEE) PAID TO ANY EMPLOYEE DURING THE PERIOD OPERATIONS WERE SUSPENDED OR THE PERIOD OF THE DECLINE IN GROSS RECEIPTS, REGARDLESS OF WHETHER OR NOT ITS EMPLOYEES ARE PROVIDING SERVICES.

FOR BOTH EMPLOYER SIZES, HEALTH PLAN EXPENSES ARE INCLUDED PAID BY THE EMPLOYER THAT IS EXCLUDED FROM THE EMPLOYEES GROSS INCOME AND ALLOCATED PRO RATA TO THE EMPLOYEE

2020: SIGNIFICANT DECLINE IN GROSS RECEIPTS

A SIGNIFICANT DECLINE IS 50%

A SIGNIFICANT DECLINE IN GROSS RECEIPTS BEGINS:

ON THE FIRST DAY OF THE FIRST CALENDAR QUARTER OF 2020 IN WHICH THIS OCCURS

FOR WHICH AN EMPLOYER'S GROSS RECEIPTS ARE LESS THAN 50% OF ITS GROSS RECEIPTS

FOR THE SAME CALENDAR QUARTER IN 2019.

THE SIGNIFICANT DECLINE IN GROSS RECEIPTS ENDS:

ON THE FIRST DAY OF THE FIRST CALENDAR QUARTER FOLLOWING THE CALENDAR QUARTER

IN WHICH GROSS RECEIPTS ARE MORE THAN OF 80% OF ITS GROSS RECEIPTS

FOR THE SAME CALENDAR QUARTER IN 2019

THE 2020 ERTC ENDS 12/31/2020, AND THIS PROVISION DOES NOT CARRY INTO 2021

2020: EXAMPLE (IRS NOTICE 2021-20 FAQ #23) SIGNIFICANT DECLINE IN GROSS RECEIPTS

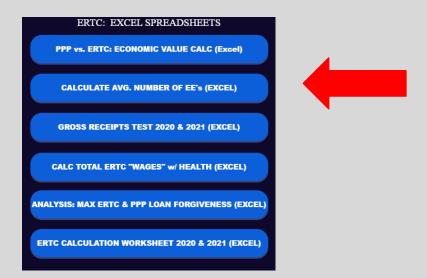
Employer A's gross receipts were \$100,000, \$190,000, and \$230,000 in the first, second, and third calendar quarters of 2020, respectively.

Its gross receipts were \$210,000, \$230,000, and \$250,000 in the first, second, and third calendar quarters of 2019, respectively.

Thus, Employer A's 2020 first, second, and third quarter gross receipts were approximately 48 percent, 83 percent, and 92 percent of its 2019 first, second, and third quarter gross receipts, respectively.

Accordingly, Employer A had a significant decline in gross receipts commencing on the first day of the first calendar quarter of 2020 (the calendar quarter in which gross receipts were less than 50 percent of the same quarter in 2019) and ending on the first day of the third calendar quarter of 2020 (the quarter following the quarter for which the gross receipts were more than 80 percent of the same quarter in 2019).

Thus, Employer A is entitled to a retention credit with respect to the <u>first and second calendar</u> quarters.



THE WORKSHEET HAS BEEN LOCKED. YOU CAN UNLOCK IT UNDER THE "REVIEW" TAB. THERE IS NO PASSWORD. IF YOU UNLOCK, ANY CHANGES ARE OF YOUR OWN.



CHECK ALL CALCULATIONS. THIS WAS NOT PROVIDED TO PROVIDE EXCEL FORMULA'S FOR YOUR CALCULATION EXAMPLE PURPOSES ONLY.

2021 70% ERTC Total Comp Per EE

2021 70% ERTC Hrly Calc Per EE

2020 50% ERTC Total Comp Per EE

2020 50% ERTC Hrly Calc Per EE

LOOK AT THE BOTTOM OF THE EXCEL WORKSHEET TO SEE ALL FOUR (4) WORKSHEETS

2020 EMPLOYEE RETENTION TAX CREDIT CALCULATION

2020 EMPLOYEE RETENTION TAX CREDIT TRACKING								
EMPLOYEE NAME	Hourly Pay	Hours Paid	7	Γotal Pay				
Sam	\$ 13.00	168 ★	\$	2,184.00				
Sally	\$ 24.00	168	\$	4,032.00				
Roger	\$ 16.50	168	\$	2,772.00		NO ON	E EMP	LOYEE
Lucy	\$ 24.75	168	\$	4,158.00		OVER 9	\$10,000	*
Wayne	\$ 15.50	168	\$	2,604.00				
Lisa	\$ 16.00	168	\$	2,688.00				
TOTAL QUALIFIED W	AGES	*	\$	18,438.00				
ERTC @ 50%			\$	9,219.00	*			
			l .					

2020 EMPLOYEE RETENTION TAX CREDIT TRACKING		
Starting March 13, 2020		
(See Additional Requirements)		
MAXIMUM QUALIFIED "WAGES" IS \$10,000 PER YEAR 2020		
(THAT WOULD BE MAXIMUM PAYROLL "CREDIT" OF \$5,000) PE	R YEAR 2020	
\$5,000 PER EMPLOYEE, PER YEAR 2020		

2020 EMPLOYEE RETENTION TAX CREDIT CALCULATION

EMPLOYEE RETENTION TAX CREDIT TRACKING

STARTING MARCH 13, 2020 ★

(See Additional Requirements)

MAXIMUM QUALIFIED "WAGES" IS \$10,000 PER YEAR ★

(THAT WOULD BE MAXIMUM PAYROLL "CREDIT" OF \$5,000)

PER EMPLOYEE, PER YEAR 2020

		(A)		(B)
	*		EE Rete	ntion Credit
	Total Eli	gible Wages	50%.	Allowable
Employee Name	During Q	ualified Time	Multiply	y (A) x 50%
Ronnie	\$	1,600	\$	800
Sara	\$	5,000	\$	2,500
Justin	\$	960	\$	480
		TOTAL		3,780
			Please	Check Match

NOW, HOW TO GET 2020 EMPLOYEE RETENTION TAX CREDIT

YOU CAN ONLY GET THE ERTC BY FILING FORM 941-X FOR 2020

REQUEST REFUND BY MARKING 941-X FOR "CLAIM"

OR

RECOMMENDED UNDER CURRENT CONDITIONS

REQUEST CARRYOVER CREDIT BY MARKING 941-X
"ADJUSTED EMPLOYMENT TAX RETURN"

IT IS NOW RECOMMENDED YOU FILE A FORM 941x FOR EACH QUARTER IN 2020 IN WHICH ERTC EXISTS

FILE FORM 941x BASED ON WHEN WAGES ARE PAID

ANY ERTC FROM 1ST QUARTER 2020, CAN ONLY BE REPORTED ON 2020 2ND QUARTER FORM 941x



2021: QUALIFIED WAGES INCLUDE

IF DURING THE FULL OR PARTIAL SUSPENSION OF THE OPERATION OF THEIR TRADE OR BUSINESS DURING ANY CALENDAR QUARTER BECAUSE OF GOVERNMENTAL ORDERS LIMITING COMMERCE, TRAVEL, OR GROUP MEETINGS DUE TO COVID-19

THE QUALIFIED WAGES ARE THE ACTUAL WAGES ONLY INCURRED DURING THE PERIOD OF SUSPENSION

IF DURING A QUARTER WITH A SIGNIFICANT DECLINE IN GROSS RECEIPTS

THE QUALIFIED WAGES ARE WAGES INCURRED DURING THE APPLICABLE QUARTER

UP TO \$10,000 OF WAGES PER EMPLOYEE PER QUARTER

MAXIMUM CREDIT PER EMPLOYEE IS \$7,000 FOR EACH QUARTER

MAXIMUM CREDIT PER EMPLOYEE IS \$21,000 FOR ALL 2021 (FOR 1st, 2ND & 3RD QUARTERS IN 2021)

106

2021: QUALIFIED WAGES INCLUDE

THE DEFINITION OF QUALIFIED WAGES ALSO DEPENDS ON HOW MANY EMPLOYEES AN ELIGIBLE EMPLOYER HAS

IF AN EMPLOYER AVERAGED MORE THAN 500 FULL-TIME EMPLOYEES DURING 2019, QUALIFIED WAGES ARE GENERALLY THOSE WAGES, INCLUDING CERTAIN HEALTH CARE COSTS, (UP TO \$10,000 PER EMPLOYEE) PAID TO EMPLOYEES THAT ARE NOT PROVIDING SERVICES BECAUSE OPERATIONS WERE SUSPENDED OR DUE TO THE DECLINE IN GROSS RECEIPTS. THE PROVISION THAT THESE EMPLOYERS CAN ONLY COUNT WAGES UP TO THE AMOUNT THAT THE EMPLOYEE WOULD HAVE BEEN PAID FOR WORKING AN EQUIVALENT DURATION DURING THE 30 DAYS IMMEDIATELY PRECEDING THE PERIOD OF ECONOMIC HARDSHIP IS REMOVED FOR 2021. (SEE EXCEPTION IN IRS NOTICE 2021-49 RELATED TO AN EMPLOYER CONSIDERED A "SEVERELY FINANCIALLY DISTRESSED EMPLOYER." THIS EMPLOYER CAN FOLLOW THE RULES OF THE 500 OR FEWER EMPLOYEES BELOW)

IF AN EMPLOYER AVERAGED 500 OR FEWER FULL-TIME EMPLOYEES DURING 2019, QUALIFIED WAGES ARE THOSE WAGES, INCLUDING HEALTH CARE COSTS, (UP TO \$10,000 PER EMPLOYEE) PAID TO ANY EMPLOYEE DURING THE PERIOD OPERATIONS WERE SUSPENDED OR THE PERIOD OF THE DECLINE IN GROSS RECEIPTS, REGARDLESS OF WHETHER OR NOT ITS EMPLOYEES ARE PROVIDING SERVICES.

FOR BOTH EMPLOYER SIZES, HEALTH PLAN EXPENSES ARE INCLUDED PAID BY THE EMPLOYER THAT IS EXCLUDED FROM THE EMPLOYEES GROSS INCOME AND ALLOCATED PRO RATA TO THE EMPLOYEE

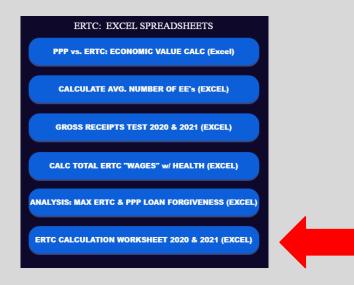
2021: SIGNIFICANT DECLINE IN GROSS RECEIPTS

A SIGNIFICANT DECLINE IS 20%
THERE IS NO QUARTER BEGINNING OR ENDING PROVISIONS
THE QUARTER MUST SIMPLY QUALIFY

A decline in gross receipts in a calendar quarter in 2021 where the gross receipts of that calendar quarter are less than 80% of the gross receipts in the same calendar quarter in 2019

Employers that did not exist in 2019 can use the corresponding quarter in 2020 to measure the decline in their gross receipts

The 2021 rules for the "alternative" election apply using the immediately preceding quarter.



THE WORKSHEET HAS BEEN LOCKED. YOU CAN UNLOCK IT UNDER THE "REVIEW" TAB. THERE IS NO PASSWORD. IF YOU UNLOCK, ANY CHANGES ARE OF YOUR OWN.



CHECK ALL CALCULATIONS. THIS WAS NOT PROVIDED TO PROVIDE EXCEL FORMULA'S FOR YOUR CALCULATION EXAMPLE PURPOSES ONLY.

2021 70% ERTC Total Comp Per EE

2021 70% ERTC Hrly Calc Per EE

2020 50% ERTC Total Comp Per EE

2020 50% ERTC Hrly Calc Per EE

LOOK AT THE BOTTOM OF THE EXCEL WORKSHEET TO SEE ALL FOUR (4) WORKSHEETS

2021 EMPLOYEE RETENTION TAX CREDIT CALCULATION

2021 EMPLOYEE RE	TEN	TION T	AX CREI	OIT	TR	ACKING				
EMPLOYEE NAME	Ho	ırly Pay	Hours Pa	aid		Total Pay				
Sam	\$	13.00	168	*	\$	2,184.00				
Sally	\$	24.00	168		\$	4,032.00				
Roger	\$	16.50	168		\$	2,772.00		NO ON	E EMP	LOYEE
Lucy	\$	24.75	168		\$	4,158.00		OVER	\$10,000	*
Wayne	\$	15.50	168		\$	2,604.00				
Lisa	\$	16.00	168		\$	2,688.00				
TOTAL QUALIFIED	VAC	ES		*	\$	18,438.00				
ERTC @ 70%					\$	12,906.60	*			

2021 EMPLOYEE RETENTION TAX CREDIT TRACKING Starting January 1, 2021

(See Additional Requirements)

MAXIMUM QUALIFIED "WAGES" IS \$10,000 PER QUARTER

(THAT WOULD BE MAXIMUM PAYROLL "CREDIT" OF \$7,000) PER QUARTER

\$7,000 PER EMPLOYEE, PER QUARTER ★

THIS IS FOR 2021 ★

2021 EMPLOYEE RETENTION TAX CREDIT CALCULATION

EMPLOYEE RETE	NTION TA	X CREDIT TI	RACKIN	G	
Start	ing Janaur	y 1, 2021 ★			
(See Add	ditional Re	quirements)			
MAXIMUM QUALIFI	ED "WAG	ES" IS \$10,00	00 PER (QTR	
(THAT WOULD BE MAXI	MUM PAY	ROLL "CRE	DIT" OI	F \$7,000)	
PER EMPI	LOYEE, PI	ER QUARTEI	R ★		
		(A)		(B)	
			EE Rete	ention Credit	
	Total	Eligible Wages	70%.	Allowable	
Employee Name	During	Qualified Time	Multiply	y (A) x 70%	*
Ronnie	\$	1,600	\$	1,120	
Sara	\$	5,000	\$	3,500	
Justin	\$	960	\$	672	
		TOTAL		5,292	*
			Please	Check Match	

NOW, HOW TO GET 2021 EMPLOYEE RETENTION TAX "CREDIT" (MONEY) IN 2021 FOR 2021

1. REPORT THE ERTC [CREDIT] ON FORM 941
ANY OVERPAYMENT ON FORM 941, YOU ALWAYS HAVE 2 OPTIONS
APPLY TO NEXT RETURN (FORM 941) OR REQUEST "SEND A REFUND"
IF AN EMPLOYER QUALIFIED IN 3RD QUARTER 2021, BUT THE WAGES WERE PAID IN 4TH QUARTER, THE CREDIT WOULD BE REPORTED IN 4TH QUARTER??????

OR

2. FILE FOR 941-X & REQUEST "CLAIM" FOR REFUND OR APPLY CREDIT TO NEXT RETURN

UNDER CURRENT CONDITIONS, IT IS RECOMMENDED YOU "APPLY THE CREDIT TO NEXT RETURN" NOTE: FOR 1ST 2ND & 3RD QUARTERS 2021, THE ONLY OPTION NOW WOULD BE FILING FORM 941x

GROSS RECEIPTS TESTS

GROSS RECEIPTS TEST 2020 & 2021 (EXCEL)

SEE SEMINAR WEBPAGE FOR GROSS RECEIPTS TEST ANALYSIS EXCEL SPREADSHEET

	2019	2020
	GROSS	GROSS
	RECEIPTS	RECEIPTS
January	111,522	116,548
February	125,432	127,983
March	136,585	98,652
April	154,985	36,982
May	145,899	24,638
June	163,229	32,962
July	174,963	52,369
August	122,854	69,524
September	138,678	79,362
October	144,985	114,298
November	132,584	118,771
December	198,337	138,551
Total	1,750,053	1,010,640

ERTC PURPOSES TO DE	TERMINE IF YOUR GRO	OSS RECEIPTS HAV	VE REDUCED 5	0% or m	ORE
Reduction in Gross Receipt	s Analysis & Calculation				
YEAR 2020					

				Percentage
	2019	2020	Difference	Difference
	GROSS	GROSS		
	RECEIPTS	RECEIPTS		
Quarter 1	373,539	343,183	(30,356)	-8.13%
Quarter 2	464,113	94,582	(369,531)	-79.62%
Quarter 3	436,495	201,255	(235,240)	-53.89%
Quarter 4	475,906	371,620	(104,286)	-21.91%
Total	1,750,053	1,010,640		

NOTE: 4th Quarter 2020 Compared to 4th Quarter 2019 (is ONE of the methods)
Used to Determine if You Qualify for 1st Quarter 2021 ERTC

SEE SEMINAR WEBPAGE FOR GROSS RECEIPTS TEST ANALYSIS EXCEL SPREADSHEET

YEAR 2021

YOU ARE COMPARING TO 2019 (YOU SEE IT RIGHT)

YOU AI	RE COMPARIN	NG TO 2019 (YOU	SEE IT RIGHT)
	2010	2021	
	2019	2021	
	GROSS	GROSS	
	RECEIPTS	RECEIPTS	
January	111,522	109,485	
February	125,432	127,983	
March	136,585	98,652	
April	154,985	136,933	
May	145,899	196,522	
June	163,229	149,631	
July	174,963	129,558	
August	122,854	94,966	
September	138,678	81,779	
October	144,985	114,298	
November	132,584	148,771	
December	198,337	188,551	
Total	1,750,053	1,577,129	

ERTC PURPOSES TO DETERMINE IF YOUR GROSS RECEIPTS HAVE REDUCED 20% OR MORE Reduction in Gross Receipts Analysis & Calculation

				Percentage
	2019	2021	Difference	Difference
	GROSS	GROSS		
	RECEIPTS	RECEIPTS		
Quarter 1	373,539	336,120	(37,419)	-10.02%
Quarter 2	464,113	483,086	18,973	4.09%
Quarter 3	436,495	306,303	(130,192)	-29.83%
Quarter 4	4/5,906	451,620	(24,286)	-5.10%
Total	1,750,053	1,577,129		

NOTE:

For 1st Quarter 2021, You Can Also Compare 4th Quarter 2020 to 4th Quarter 2019 (See 2020 Analysis)

If 4th Quarter 2020 is Down by at Least 20% Compared to 4th Quarter 2019, You Qualify for ERTC in 1st Quarter 2021



IRS NOTICE 2021-20

E. Aggregation Rules

Section 2301(d) of the CARES Act provides that all persons treated as a single employer under section 52(a) or (b) of the Code, or section 414(m) or (o) of the Code, will be treated as a single employer for purposes of the employee retention credit.

While this notice describes the aggregation rules under sections 52(a) and (b) and 414(m) and (o) in general terms, it does not provide separate guidance on the substantive requirements of those aggregation rules or otherwise interpret those rules.



S-CORPORATION

WHOLE GROUP HAS TO BE DOWN GROSS RECEIPTS

PARTNERSHIP

C-CORPORATION

DIFFERENT STATES

TREAT AS ONE

PC, PLLC

ETC.

HOW TO CALCULATE THE "NUMBER OF EMPLOYEES" FOR ERTC PURPOSES



EMPLOYER SIZE BASED ON AVERAGE NUMBER OF "FULL-TIME EMPLOYEES" EMPLOYED DURING 2019

THIS IS SAME FOR BOTH 2020 AND 2021 (SEE IRS NOTICE 2021-20 FAQ #31)

- The term "full-time employee" means an employee who, with respect to any calendar month in 2019, had an average of at least 30 hours of service per week or 130 hours of service in the month (130 hours of service in a month is treated as the monthly equivalent of at least 30 hours of service per week), as determined in accordance with section 4980H of the Internal Revenue Code.
- An employer that <u>operated its business for the entire 2019 calendar year</u> determines the number of its full-time employees by taking the sum of the number of full-time employees in each calendar month in 2019 and dividing that number by 12.
- An employer that <u>started its business operations during 2019</u> determines the number of its full-time employees by taking the sum of the number of full-time employees in each full calendar month in 2019 in which the employer operated its business and dividing by that number of months.
- An employer that <u>started its business operations during 2</u>020 determines the number of its full-time employees by taking the sum of the number of full-time employees in each full calendar month in 2020 in which the employer operated its business and dividing by that number of months, consistent with the approach discussed above for employers that began business operations during 2019.

AGGREGATION RULES APPLY

QAULIFYING WAGES INCLUDED DEPENDS ON EMPLOYER SIZE:

2020: 100 & **BELOW**

2021: 500 & **BELOW**

IRS NOTICE 2021-20 FAQ #30-39

ALL "GROSS" WAGES ARE INCLUDED

ALL EMPLOYEES ARE INCLUDED

INCLUDES QUALIFYING HEALTH PLAN EXPENSES ALLOCABLE PRO RATA

ESSENTIAL EMPLOYEES ARE NOT SEPARATED FROM NON-ESSENTIAL EMPLOYEES

EMPLOYEES PROVIDING SERVICES ARE NOT SEPARATED FROM EMPLOYEES NOT PROVIDING SERVICES.

NO KNOWN EXCLUSION OF INCREASE IN WAGES

ALL WAGES <u>INCLUDED</u>: HOURLY, NON-EXEMPT SALARIED & EXEMPT SALARIED EMPLOYEES, <u>AS WELL AS PRE-EXISTING VACATION SICK</u> & OTHER LEAVE POLICY PAID WAGES

WAGES <u>EXCLUDE</u> WAGES USED FOR OTHER TAX CREDITS AND PPP FORGIVENESS, <u>AS WELL AS WAGES EXEMPT</u> FROM SOCIAL SECURITY & MEDICARE TAXES <u>AND</u> TO EMPLOYEES RELATED TO THE EMPLOYER (MORE THAN 50% OWNERSHIP IS THE THRESHOLD)

QUALIFYING WAGES INCLUDED DEPENDS ON EMPLOYER SIZE:

2020: **MORE THAN** 100

2021: **MORE THAN** 500

IRS NOTICE 2021-20 FAQ #30-39

ONLY "GROSS" WAGES PAID TO EMPLOYEES THAT DID NOT PROVIDE SERVICES ARE INCLUDED

ALL EMPLOYEES NOT PROVIDING SERVICES ARE INCLUDED

INCLUDES HEALTH PLAN EXPENSES <u>ALLOCATED PRO RATA</u> TO EMPLOYEE'S WAGES INCLUDED

ESSENTIAL & NON-ESSENTIAL EMPLOYEES <u>DOESN'T CHANGE</u> WHAT WAGES ARE INCLUDED

WAGES TO EMPLOYEES PROVIDING SERVICES ARE NOT WAGES INCLUDED

2020: EXCLUDES RAISES, AND ONLY INCLUDES WAGES EQUIVALENT TO 30 DAYS PRIOR, <u>AS WELL AS PRE-EXISTING VACATION SICK & OTHER LEAVE POLICY AND WAGES USED FOR OTHER TAX CREDITS & PPP FORGIVENESS 2021: SAME EXCEPT WAGES ARE NOT LIMITED TO THE EQUIVALENT TO 30 DAYS PRIOR (PER IRS NOTICE 2021-23, PAGE 10) ALSO 2021 HAS EXCEPTION IN IRS NOTICE 2021-49 FOR "SEVERELY FINANCIALLY DISTRESSED EMPLOYERS"</u>

INCLUDES HOURLY, NON-EXEMPT SALARIED & EXEMPT SALARIED EMPLOYEES

DETERMINATION OF AVERAGE NUMBER OF EMPLOYEES IN 2019 FOR ERTC PURPOSES

FOR BOTH 2020 & 2021, THE AVERAGE NUMBER OF EMPLOYEES IS BASED ON 2019

	Jan	Feb	March	April	June	July	Aug	Sept	Oct	Nov	Dec	Total	Average
Number of Employees	84	96	144	79	124	92	78	111	88	150	144	1190	99.17
20 H., W. d 120 H., M., d.													

30 Hrs Week or 130 Hrs Month (See Below)

PER IRS NOTICE 2021-20 (FAQ #31)

How does an eligible employer identify the average number of full-time employees employed during 2019?

The term "full-time employee" means an employee who, with respect to any calendar month in 2019,
had an average of at least 30 hours of service per week or 130 hours of service in the month (130 hours of service in a month
is treated as the monthly equivalent of at least 30 hours of service per week), as determined in accordance with section

4980H of the Code. An employer that operated its business for the entire 2019 calendar year determines the number of its full-time
employees by taking the sum of the number of full-time employees in each calendar month in 2019 and dividing that number by 12.

An employer that started its business operations during 2019 determines the number of its full-time employees by taking the sum of the number of full-time employees in each full calendar month in 2019 in which the employer operated its business and dividing that sum by the number of full calendar months in 2019 in which the employer operated its business.

An employer that started its business operations during 2020 determines the number of its full-time employees by taking the sum of the number of full-time employees in each full calendar month in 2020 in which the employer operated its business and dividing by that number of months, consistent with the approach described above for employers that began business operations during 2019.

CALCULATE AVG. NUMBER OF EE's (EXCEL)



WHAT ARE YOU DOING WITH HEALTH INSURANCE? WHAT IS THE GOAL?

THE GOAL IS TO INCREASE THE CREDIT:

You are taking the health insurance cost and converting it into compensation either by day or hour,

To then add to the payroll compensation of the participating employee to arrive at a TOTAL of qualified "wages" for ERTC purposes.

The health insurance cost is included in determining the "tax credit."

You do need to know wages separate from health insurance cost for reporting on Form 941.

2020: QUALIFIED WAGES INCLUDES EMPLOYER PAID HEALTH INSURANCE THAT IS EXCLUDED FROM THE EMPLOYEES GROSS INCOME, ALLOCATED (PRO RATA) TO THE EMPLOYEE

AS PRESCRIBED BY THE APPROPRIATIONS ACT, SEC. 206 (RETROACTIVE)

Allowance for certain health plan expenses .-

- (i) In general. -- Such term shall include amounts paid by the eligible employer to provide and maintain a group health plan (as defined in section 5000(b)(1) of the Internal Revenue Code of 1986), but only to the extent that such amounts are excluded from the gross income of employees by reason of section 106(a) of such Code.
- (ii) Allocation rules.—For purposes of this section, amounts treated as wages under clause (i) shall be treated as paid with respect to any employee (and with respect to any period) to the extent that such amounts are properly allocable to such employee (and to such period) in such manner as the Secretary may prescribe. Except as otherwise provided by the Secretary, such allocation shall be treated as properly made if made on the basis of being pro rata among periods of coverage.

HEALTH INSURANCE COSTS SEE IRS NOTICE 2021-20

Question 41: May a small eligible employer treat its health plan expenses as qualified wages for purposes of the employee retention credit?

Answer 41: A small eligible employer may treat its health plan expenses paid or incurred, after March 12, 2020, and before January 1, 2021, with respect to any employee during any period in a calendar quarter in which the employer's business operations are fully or partially suspended due to a governmental order or during a calendar quarter in which the employer experiences a significant decline in gross receipts as qualified wages, although only \$10,000 per employee for all calendar quarters can be taken into account for the employee retention credit.

Small eligible employers may treat health plan expenses allocable to the applicable periods as qualified wages even if the employees are not working and the eligible employer does not pay the employees any wages for the time they are not working.

HEALTH INSURANCE COSTS SEE IRS NOTICE 2021-20

Question 41: May a small eligible employer treat its health plan expenses as qualified wages for purposes of the employee retention credit?

Answer 41: A small eligible employer may treat its health plan expenses paid or incurred, after March 12, 2020, and before January 1, 2021, with respect to any employee during any period in a calendar quarter in which the employer's business operations are fully or partially suspended due to a governmental order or during a calendar quarter in which the employer experiences a significant decline in gross receipts as qualified wages, although only \$10,000 per employee for all calendar quarters can be taken into account for the employee retention credit.

Small eligible employers may treat health plan expenses allocable to the applicable periods as qualified wages even if the employees are not working and the eligible employer does not pay the employees any wages for the time they are not working.

See FAQ #42 (See full language in Notice 2021-20: Large eligible employers may not treat as qualified wages health plan expenses allocable to the time the employees are providing services.

HEALTH INSURANCE COSTS SEE IRS NOTICE 2021-20

Question 43: For an eligible employer that sponsors more than one plan for its employees (for example, both a group health plan and a health flexible spending arrangement (health FSA)), or more than one plan covering different employees, how are the qualified health plan expenses for each employee determined?

Answer 43: The qualified health plan expenses are determined separately for each plan. For each plan, those expenses are allocated to the employees who participate in that plan. In the case of an employee who participates in more than one plan, the allocated expenses of each plan in which the employee participates are aggregated for that employee.

IF YOU HAVE AN EMPLOYER SPONSOERED FULLY-INSURED GROUP HEALTH PLAN (NOT AS COMMON)
SEE FAQ #44

Question 44: For an eligible employer that sponsors a fully-insured group health plan, how are the qualified health plan expenses of that plan allocated on a pro rata basis?

Answer 44: See IRS Notice 2021-20.



				PAYROLL
				PER
		PAYROLL	PAYROLL	PAYROLL
EMPLOYEE	SALARY	PER HOUR	PER DAY	PERIOD (2)
SALARY (1)				
Sally	74,000.00	35.58	284.62	2,846.15
HOURLY				
Jimmy		28.00	224.00	2,240.00
PART-TIME				
Lucy (20 Hrs Week or 4 Hrs Day)		16.00	64.00	640.00
CONSIDERED RELATED (PPP ALLOWED)				
Mary	90,000.00	43.27	346.15	3,461.54

CALC TOTAL ERTC "WAGES" w/ HEALTH (EXCEL)

(1) DIVIDE ANNUAL SALARY BY 2,080 HOURS (52 WEEKS X 40 HOURS)

ERTC "WAGES" FROM PAYROLL (ACTUAL SALARIES & WAGES)

(2) EXAMPLE IS BI-WEEKLY (10 WORK DAYS OR 80 HOURS). ADJUST FOR OTHER POSSIBLE PAYROLL PERIOD

CALCULATING EMPLOYEE COMPENSATION (PAYROLL PLUS HEALTH INSURANCE)

THERE ARE 3 SECTIONS TO THIS WORKSHEET (BE SURE TO SCROLL DOWN)

THIS IS A CENTRAL EVAMBLE FOR EVAMBLE & INFORMATIONAL DURBOSES ONLY AS OF 3/10/20

SEE THE NOTICE 2021 20 ALONG WITH ITS EAG. #41 #44 FOR SPECIFICS ON SMALL 8. LARGE EMBLOYERS AS WELL AS MILL THOR SPONSORED BLAND

YOU CANNOT RELY ON FORMULA'S. FORMULA'S NOT LOCKED. YOU MUST CHECK ALL MATH.

EXCEL SPREADSHEET PROVIDED

ERTC "WAGES" FROM HEALTH INSURANCE (AI	LLOCATED TO	THE EMPLOY	(EE)	
				HEALTH
				INSURANCE
	MONTHLY	HEALTH	HEALTH	PER
	HEALTH	INSURANCE	INSURANCE	PAYROLL
EMPLOYEE	INSURANCE	PER HOUR	PER DAY	PERIOD
SALARY				
Sally	800.00	4.76	38.10	380.95
HOURLY				
Jimmy	700.00	4.17	33.33	333.33
PART-TIME				
Lucy (20 Hrs Week or 4 Hrs Day)	-	-	-	-
CONCIDEDED DELATED (DDD ALLOWED)				
CONSIDERED RELATED (PPP ALLOWED)				
Mary	1,000.00	5.95	47.62	476.19
272023	1,000.00	0.55	17.02	170.17
	L	L , , , , , , , , , , , , , , , , , , ,	L	L ,

IRS ALLOWS FOR A REASONABLE METHOD. THIS METHOD IS TAKING THE NUMBER OF HOURS WORKED IN THE MONTH (ASSUMED 21 DAYS FOR THE MONTH)
SAME ASSUMPTIONS ABOVE

CALCULATING EMPLOYEE COMPENSATION (PAYROLL PLUS HEALTH INSURANCE)

THERE ARE 3 SECTIONS TO THIS WORKSHEET (BE SURE TO SCROLL DOWN)

THIS IS A GENRAL EXAMPLE FOR EXAMPLE & INFORMATIONAL PURPOSES ONLY AS OF 3/19/2021

SEE IRS NOTICE 2021-20 ALONG WITH ITS FAQS #41 - #44 FOR SPECIFICS ON SMALL & LARGE EMPLOYERS AS WELL AS MULTI OR SPONSORED PLANS

ALSO NOTE THAT FOR SMALL EMPLOYERS, EVEN IF AN EMPLOYEE IS NOT PAID, IF HEALTH INSURANCE IS PAID, SUCH HEALTH INSURANCE IS STILL INCLUDED

YOU CANNOT RELY ON FORMULA'S. FORMULA'S NOT LOCKED. YOU MUST CHECK ALL MATH.

CALC TOTAL ERTC "WAGES" w/ HEALTH (EXCEL)

EXCEL SPREADSHEET PROVIDED

ERTC "WAGES" FROM BOTH PAYROLL & HEALTH IN	SURANCE (ALLOCAT)	ED TO THE EM	PLOYEE)		
THIS IS THE SUM OF THE ABOVE					
			ERTC		
	ERTC	ERTC	"WAGES" PER		
	"WAGES"	"WAGES" PER	PAYROLL		
EMPLOYEE	PER HOURS	DAY	PERIOD		
SALARY					
Sally	40.34	322.71	3,227.11		
HOURLY				 ONE E	MPLOYEE
				OVER \$10	,000 PER PERIOD
Jimmy	32.17	257.33	2,573.33		
				2020: PER AN	NUAL
PART-TIME				2021: PER QU	JARTER
Lucy (20 Hrs Week or 4 Hrs Day)	16.00	64.00	640.00		
CONSIDERED RELATED (PPP ALLOWED)					
Mary	49.22	393.77	3,937.73		

EXCEL SPREADSHEET PROVIDED

CALC TOTAL ERTC "WAGES" w/ HEALTH (EXCEL)

CALCULATING EMPLOYEE COMPENSATION (PAYROLL PLUS HEALTH INSURANCE)

THERE ARE 3 SECTIONS TO THIS WORKSHEET (BE SURE TO SCROLL DOWN)

THIS IS A GENRAL EXAMPLE FOR EXAMPLE & INFORMATIONAL PURPOSES ONLY AS OF 3/19/2021

SEE IRS NOTICE 2021-20 ALONG WITH ITS FAQs #41 - #44 FOR SPECIFICS ON SMALL & LARGE EMPLOYERS AS WELL AS MULTI OR SPONSORED PLANS

ALSO NOTE THAT FOR SMALL EMPLOYERS, EVEN IF AN EMPLOYEE IS NOT PAID, IF HEALTH INSURANCE IS PAID, SUCH HEALTH INSURANCE IS STILL INCLUDED

YOU CANNOT RELY ON FORMULA'S, FORMULA'S NOT LOCKED. YOU MUST CHECK ALL MATH.



FILING PAYROLL TAX FORMS

- FORM 7200
- FORM 941
- FORM 941-X

BE SURE TO USE THE RIGHT FORM, FOR THE RIGHT YEAR

FORM 941 FOR 2020 FORM 941 FOR 2021

FORM 941-X FOR 2020 FORM 941-X FOR 2021

IRS FORMS RELATED TO ERTC

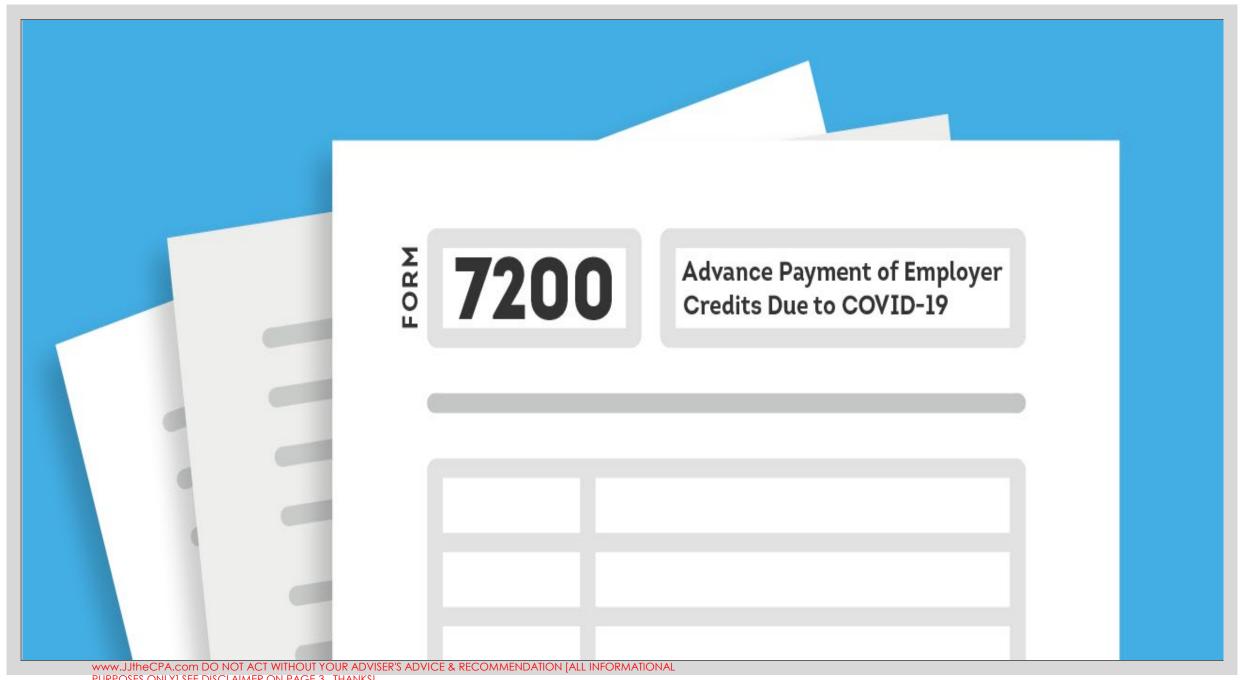
FORM 7200 & INSTRUCTIONS (LATEST VERSION)

FORM 941 & INSTRUCTIONS (LATEST VERSION)

FORM 941-X & INSTRUCTIONS (LATEST VERSION)

FORM 7200, SEE LATEST FOR 2021

CORRECTING EMPLOYMENT TAX FORMS



FILE FORM 7200

- THIS IS AN "ADVANCE" OF THE CREDIT
- NOW ONLY AVAILABLE IF YOU ARE A "RECOVERY START UP" FOR ERTC PURPOSES
- THIS CANNOT BE FILED AFTER FORM 941 IS FILED FOR THE QUARTER
- THIS IS SIMPLY LISTED THE ERTC "CREDIT" FOR AN ADVANCE OF THE MONEY
- THIS IS FAXED TO THE IRS
- THE IRS SENDS A PAPER CHECK (ONLY)
- ANY ADVANCE REQUESTED ON FORM 7200 MUST BE REPORTED ON THE APPLICABLE FORM 941
- ON FORM 941 THE CREDIT IS CALCULATED, AND THE ADVANCE REDUCES DOWN ANY AVAILABLE CREDIT CARRYOVER OR REFUND REPORTED ON FORM 941

Note: The form, instructions, or publication you are looking for begins after this coversheet.

Please review the updated information below.

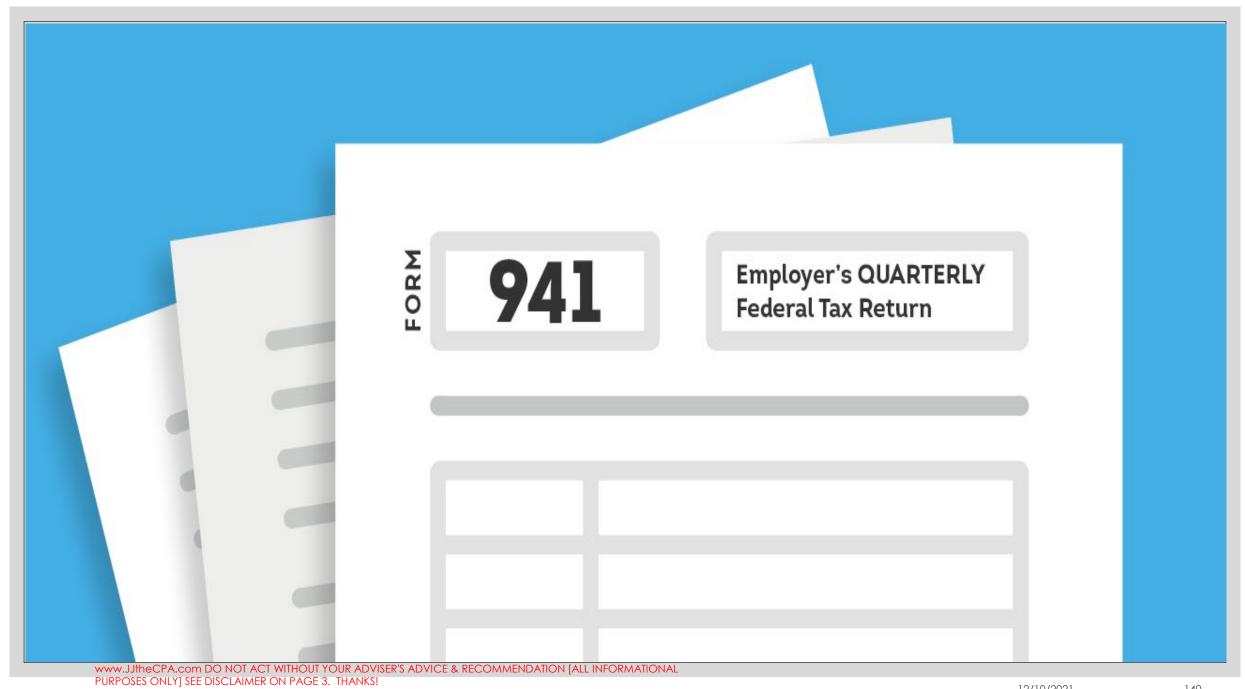
Early Termination of the Employee Retention Credit for Most Employers

The Infrastructure Investment and Jobs Act amends section 3134 of the Internal Revenue Code to limit the availability of the employee retention credit in the fourth quarter of 2021 to taxpayers that are recovery startup businesses, as defined in section 3134(c)(5). Therefore, taxpayers that are not recovery startup businesses are not eligible for the employee retention credit for wages paid after September 30, 2021.

Some taxpayers that are no longer eligible to claim the employee retention credit for wages paid after September 30, 2021 may have already reduced their employment tax deposits in anticipation of claiming the employee retention credit for the fourth quarter of 2021. These taxpayers should monitor guidance issued by the IRS to learn if they must take any action regarding these amounts.

Some taxpayers may have already submitted Form 7200 to request an advance payment of the employee retention credit for the fourth quarter of 2021. If the Form 7200 hasn't been processed, the IRS will use the taxpayer's indication of whether it is a recovery startup business (Form 7200, Part 1, line H) as part of its determination regarding whether the Form 7200 claiming the employee retention credit in the fourth quarter of 2021 should be accepted or rejected. If an advance payment of the employee retention credit for the fourth quarter of 2021 was already sent to a taxpayer that is no longer eligible to claim the employee retention credit for the fourth quarter of 2021 because it is not a recovery startup business, the taxpayer will still include that advance payment on the appropriate line of its employment tax return (for example, Form 941, Part 1, line 13h) for the quarter. In this case, the taxpayer may have a balance due when it files that employment tax return. Taxpayers should continue to monitor guidance issued by the IRS to learn if they should take any additional action regarding these amounts.

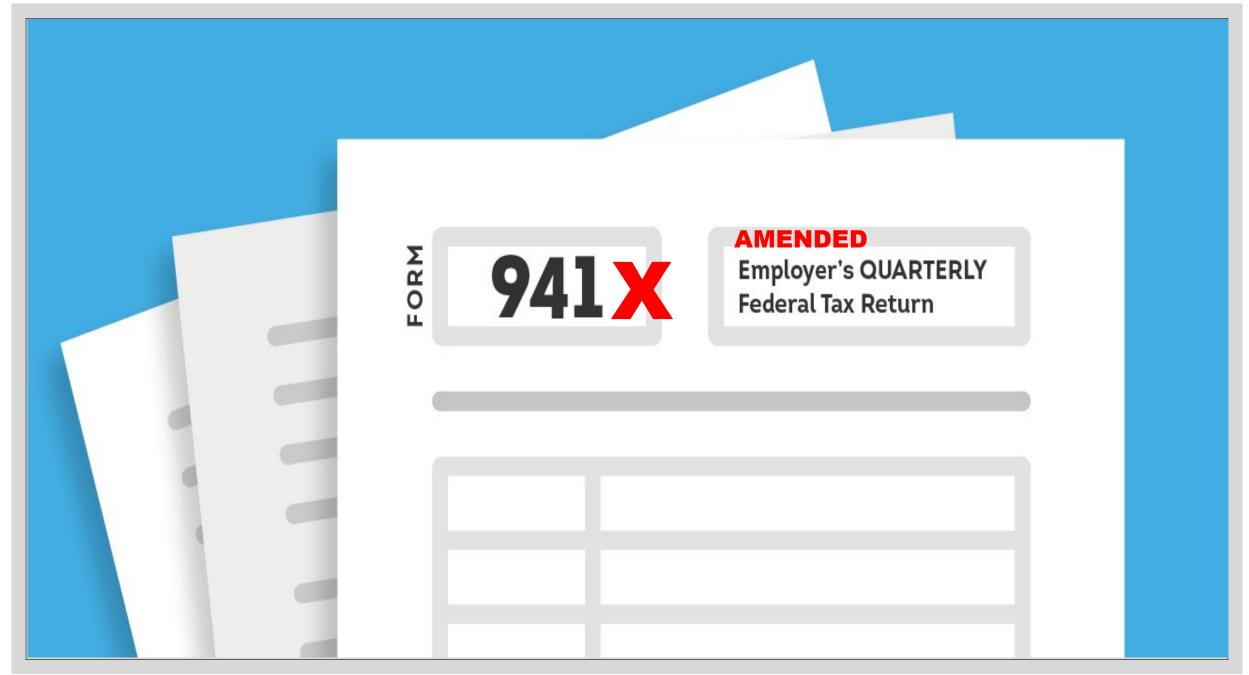
epartment of ti ternal Revenue			- Introduction	OMB No	0. 1545-0029
	e Service	gov/Form7200 for instructions and th	e latest informatio		
a (not your	r trade name)			Employer identification	n number (EIN)
de name (if	any)			Applicable calendar qua (check only one box) Car	
har street	t, and apt. or suite no. If a P.O. box, see instruct	ione		instructions before comple	eting to
ibor, succe,	, and apr. or date no. If a r. o. box, see morrow	ionio.		determine if the credits and available for the applicable	
ty or town, st	tate, and ZIP code. If a foreign address, also cor	mplete spaces below. (See instructions.)			
oreign country	y name	Foreign province/county	Foreign postal code	(2) April, May, June (3) July, August, Sep	
				(4) October, Novemb	ber, December
	oyment tax return (third-party payer) that will rep Part II (leave blank if return is filed under your nar		ance you're EIN on e	employment tax return (if other	er than your own)
	Tell Us About Your Employmen		•		
	ck the box to indicate which employmer 941, 941-PR, or 941-SS (2) 999			nly one box.	
	the total number of employees to whom you			it this quarter	
	unt reported on line 2 of your most recently		•		
	third-party payer (see instructions)). If you file			11	
Tax p	period of most recently filed Form 941 (for ex	xample, "Q4 2020") or annual employmen	t tax return (for exan	mple, "2020") -	
	u're requesting an advance payment ber of full-time employees you had				
	regation rules apply. See instructions .				
	I're requesting an advance payment for qual				
of em	nployees you had when qualified leave was to	aken during the quarter for the advance r	quested. See instruc	ctions ►	
	ber of individuals provided COBRA pre				
	u're eligible for the employee retention	credit solely because your busines		artup business,	★
	Enter Your Credits and Advance				
1 Total	I employee retention credit for the qua				
1 Total for th	I employee retention credit for the quanter see instructions			1	
for th	I employee retention credit for the quance quarter. See instructions	the credit and paid this quarter. See i	structions	1	
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1 Total for th 2 Total for th 2 Total 3 Total 3 Total 4 Total 5 Add 6 Total 8 Add 1 9 Advanird-earty esignee	I employee retention credit for the qua ne quarter. See instructions . I qualified sick leave wages eligible for to I qualified family leave wages eligible for to I qualified family leave wages eligible for to I COBRA premium assistance provided lines 1, 2, 3, and 4 . I amount by which you have already sits for these credits for this quarter. Er I advanced credits requested on previou lines 6 and 7	the credit and paid this quarter. See in the credit and paid this quarter. See this quarter. See this quarter. See instructions reduced your federal employment there as a positive number us filings of this form for this quarter the 5. If zero or less, don't file this forme, a paid tax preparer, or another promplete below	and phone n g to the IRS prings shedules and si	1 2 3 3 4 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	of my knowledge y knowledge.
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941 for 2021: Employer's QUARTERLY Federal Tax Return	Name (r	(not your trade name)	Employer identification number (EIN)
v. June 2021) Department of the Treasury — Internal Revenue Service	Part	Answer these questions for this quarter. (continued)	
		Nonrefundable portion of credit for qualified sick and family leave wages for leav after March 31, 2021	e taken
	11e	Nonrefundable portion of COBRA premium assistance credit (see instructions for applicable quarters)	11e
	11f	Number of individuals provided COBRA premium assistance	
	11g	Total nonrefundable credits. Add lines 11a, 11b, 11c, 11d, and 11e	11g
CARRYOVER CREDIT FROM PRIOR FILED FORM 941X	12	Total taxes after adjustments and nonrefundable credits. Subtract line 11g from line	10 . 12
	13a	Total deposits for this quarter, including overpayment applied from a prior quar overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current	
	13b	Reserved for future use	13b
	13c	Refundable portion of credit for qualified sick and family leave wages for leave before April 1, 2021	e taken
	13d	Refundable portion of employee retention credit	13d
	13e	Refundable portion of credit for qualified sick and family leave wages for leave after March 31, 2021	e taken
	13f	Refundable portion of COBRA premium assistance credit (see instructions for appropriates)	
	13g	Total deposits and refundable credits. Add lines 13a, 13c, 13d, 13e, and 13f	13g
	13h	Total advances received from filling Form(s) 7200 for the quarter	13h
	13i	Total deposits and refundable credits less advances. Subtract line 13h from line 13g .	131
	14	Balance due. If line 12 is more than line 13i, enter the difference and see instructions	14
	15	Overpayment. If line 13i is more than line 12, enter the difference	Check one: Apply to next return. Send a refund.
	Part :	2: Tell us about your deposit schedule and tax liability for this quarter.	
	If you'	're unsure about whether you're a monthly schedule depositor or a semiweekly sch	edule depositor, see section 11 of Pub. 15.
	16 (Check one: Line 12 on this return is less than \$2,500 or line 12 on the return and you didn't incur a \$100,000 next-day deposit obligation durin quarter was less than \$2,500 but line 12 on this return is \$100,000 federal tax liability. If you're a monthly schedule depositor, complisemiweekly schedule depositor, attach Schedule B (Form 941). Go to	or more, you must provide a record of your ete the deposit schedule below; if you're a
		You were a monthly schedule depositor for the entire quarter. En liability for the quarter, then go to Part 3.	nter your tax liability for each month and total
		Tax liability: Month 1	
A CONTRACT MITHOUT		Month 2	
www.JJtheCPA.com DO NOT ACT WITHOUT YOUR ADVISER'S ADVICE & RECOMMENDATION		Month 3	
[ALL INFORMATIONAL PURPOSES ONLY] SEE		Total liability for quarter Total in	nust equal line 12.
DISCLAIMER ON PAGE 3. THANKS!		You were a semiweekly schedule depositor for any part of this q Report of Tax Liability for Semiweekly Schedule Depositors, and attac	

▶ You MUST complete all three pages of Form 941 and SIGN it.

Page 2



CARRY CREDIT TO **NEXT QUARTER** REFUND OVERREPORTED MEANS YOU OVERPAID YOUR TAXES PREVIOUSLY & NOW YOU ARE CLAIMING

A CREDIT TO REDUCE

DOWN YOUR TAXES DUE

Form 941-X: Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund Employer identification number Return You're Correcting. Check the type of return you're correcting. Name (not your trade name) 941-SS Trade name (if any) Check the ONE quarter you're correcting. 1: January, February, March 2: April, May, June ZIP code 3: July, August, September 4: October, November, December Foreign province/county Foreign postal code Enter the calendar year of the Read the separate instructions before completing this form. Use this form to correct errors you quarter you're correcting. made on Form 941 or 941-SS. Use a separate Form 941-X for each quarter that needs correction. Type or print within the boxes. You MUST complete all five pages. Don't attach this form to Form 941 or 941-SS unless you're reclassifying workers; see the instructions for line 42. Part 1: Select ONLY one process. See page 6 for additional guidance, including information on how to treat employment tax credits and social security tax deferrals. Enter the date you discovered errors Adjusted employment tax return. Check this box if you underreported tax amounts. Also check this box if you overreported tax amounts and you would like to use the (MM / DD / YYYY) adjustment process to correct the errors. You must check this box if you're correcting both underreported and overreported tax amounts on this form. The amount shown on line 27, if less than zero, may only be applied as a credit to your Form 941, Form 941-SS, or Form 944 for the tax period in which you're filing this form. 2. Claim. Check this box if you overreported tax amounts only and you would like to use the claim process to ask for a refund or abatement of the amount shown on line 27. Don't check this box if you're correcting ANY underreported tax amounts on this form. Part 2 Complete the certifications. 3. I certify that I've filed or will file Forms W-2, Wage and Tax Statement, or Forms W-2c, Corrected Wage and Tax Statement as required. Note: If you're correcting underreported tax amounts only, go to Part 3 on page 2 and skip lines 4 and 5. If you're correcting overreported tax amounts, for purposes of the certifications on lines 4 and 5, Medicare tax doesn't include Additional Medicare Tax. Form 941-X can't be used to correct overreported amounts of Additional Medicare Tax unless the amounts weren't withheld from employee wages or an adjustment is being made for the current year. 4. If you checked line 1 because you're adjusting overreported federal income tax, social security tax, Medicare tax, or Additional Medicare Tax, check all that apply. You must check at least one box. I certify that: I repaid or reimbursed each affected employee for the overcollected federal income tax or Additional Medicare Tax for the current year and the overcollected social security tax and Medicare tax for current and prior years. For adjustments of employee social security tax and Medicare tax overcollected in prior years. I have a written statement from each affected employee stating that he or she hasn't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection. The adjustments of social security tax and Medicare tax are for the employer's share only. I couldn't find the affected employees or each affected employee didn't give me a written statement that he or she hasn't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection. The adjustment is for federal income tax, social security tax, Medicare tax, or Additional Medicare Tax that I didn't withhold from employee wages. 5. If you checked line 2 because you're claiming a refund or abatement of overreported federal income tax, social security tax, Medicare tax, or Additional Medicare Tax, check all that apply. You must check at least one box. I certify that: I repaid or reimbursed each affected employee for the overcollected social security tax and Medicare tax. For claims of employee social security tax and Medicare tax overcollected in prior years. I have a written statement from each affected employee stating that he or she hasn't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection. I have a written consent from each affected employee stating that I may file this claim for the employee's share of social security tax and Medicare tax. For refunds of employee social security tax and Medicare tax overcollected in prior years, I also have a written statement from each affected employee stating that he or she hasn't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection. The claim for social security tax and Medicare tax is for the employer's share only. I couldn't find the affected employees, or each affected employee didn't give me a written consent to file a claim for the employee's share of social security tax and Medicare tax, or each affected employee didn't give me a written statement that he or she hasn't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection. The claim is for federal income tax, social security tax, Medicare tax, or Additional Medicare Tax that I didn't withhold from Next -> employee wages. For Paperwork Reduction Act Notice, see the separate instructions. www.irs.gov/Form941X Cat. No. 17025J Form 941-X (Rev. 7-2021)

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TO PREPARE FORM 941-X,
BUT ONLY HIGHLIGHTING
SOME AREAS TO PAY
ATTENTION TO.

	Name (n	ot your trade name)			Employer iden	tifical	tion number (EIN)	Correcting	quarter (1, 2, 3, 4)	
								Correcting	calendar year (YYYY)	
				_						
	Part 3: Enter the corrections for this quarter. If any line doesn't apply, leave it blank.									
			Column 1 Column 2 Column 3					Column 4		
		•	Total corrected	-	Amount originally		Difference	_		
			amount (for ALL		reported or as		(If this amount is a		Tax correction	
			employees)	-	previously corrected (for ALL employees)	=	negative number, use a minus sign.)			
	6.	Wages, tips, and other						Use the amoun	t in Column 1 when you	
	•	compensation (Form 941, line 2)		_		=		prepare your Fo	orms W-2 or Forms W-2c.	
	7.	Endard income toy withhold	=							
	۲.	Federal income tax withheld from wages, tips, and other		_		=		Copy Column 3 here ►		
		compensation (Form 941, line 3)						3 nere		
	8.	Taxable social security wages					_			
	٥.	(Form 941 or 941-SS, line 5a,		_		=		× 0.124* =		
		Column 1)	· ·			٠.	If you're correcting your emp		use 0.062. See instructions.	
							,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,			
	9.	Qualified sick leave wages*								
		(Form 941 or 941-SS, line 5a(i), Column 1)				=		× 0.062 =		
		Column 1)	* Use line 9 only for qualified	sick l	eave wages paid after Marci	h 31, 2	020, for leave taken before A	April 1, 2021.		
	10.	Qualified family leave wages*								
		(Form 941 or 941-SS, line 5a(ii),		_		=		× 0.062 =		
		Column 1)	* Use line 10 only for qualifie	d fami	v leave wages paid after M	arch 31	1, 2020, for leave taken before			
					,		.,,			
	11.	Taxable social security tips (Form		_		=				
		941 or 941-SS, line 5b, Column 1)						× 0.124* =		
						•	If you're correcting your emp	oloyer share only,	use 0.062. See instructions.	
	12.	Taxable Medicare wages & tips (Form		_		=				
		941 or 941-SS, line 5c, Column 1)						× 0.029*=		
						. "	you're correcting your empl	loyer share only, i	use 0.0145. See instructions.	
	13.	Taxable wages & tips subject to Additional Medicare Tax		_		=				
		withholding (Form 941 or				١		× 0.009*=		
		941-SS, line 5d)			* Certain wages	and tip	s reported in Column 3 show	ildn't be multiplie	d by 0.009. See instructions.	
	14.	Section 3121(q) Notice and						Copy Column		
	14.	Demand—Tax due on				=		3 here ➤		
		unreported tips (Form 941 or								
		941-SS, line 5f)								
	15.	Tax adjustments (Form 941 or		_		=		Copy Column		
		941-SS, lines 7 through 9)						3 here ►		
	16.	Qualified small business payroll tax		_		_		See		
		credit for increasing research				=		instructions		
		activities (Form 941 or 941-SS, line 11a; you must attach Form 8974)								
	IIIa	11a; you must attach Form 6974)								
	17. No	Nonrefundable portion of credit								
		for qualified sick and family				=		See instructions		
		leave wages for leave taken								
		before April 1, 2021 (Form 941 or 941-SS, line 11b)								
	18a.	Nonrefundable portion of employee retention credit		_		=		See		
		(Form 941 or 941-SS, line 11c)						instructions		
	404									
	18b.	Nonrefundable portion of credit for qualified sick and family		-		=		See		
		leave wages for leave taken						instructions		
		after March 31, 2021 (Form 941								
		or 941-SS, line 11d)								
	18c.	Nonrefundable portion of COBRA						l _		
		premium assistance credit		-		=		See		
		(Form 941 or 941-SS, line 11e)								
	18d.	Number of individuals provided				۱_				
		COBRA premium assistance				=				
Waren Hillian CDA anna DO NOT A CT		(Form 941 or 941-SS, line 11f)								
www.JJtheCPA.com DO NOT ACT	19.	Special addition to wages for		_		=		See		
WITHOUT YOUR ADVISER'S ADVICE &		federal income tax				-		instructions		
	20.	Special addition to wages for						١		
RECOMMENDATION [ALL	20.	social security taxes		_		=		See instructions		
INFORMATIONAL PURPOSES ONLY] SEE		-	=		=					
DISCLAIMER ON PAGE 3. THANKS!	21.	Special addition to wages for Medicare taxes		_		=		See		
DISCENIMEN ON FAGE 3. ITIAINO:		mouldare taxes						instructions	Next ■►	
	- 6									
	Page 2							Form	n 941-X (Rev. 7-2021)	

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	Name	Name (not your trade name)		Employer identification number (EIN)		Correcting quarter (1, 2, 3, 4) Correcting calendar year (YYYY)
						, ,
	Par	Enter the corrections for t		column 2 Column 3		Column 4
			Total corrected Ame amount (for ALL repu employees) pre-	ount originally outed or as viously corrected = ALL employees)	Difference (If this amount is a negative number, use a minus sign.)	Tax correction
	22.	Special addition to wages for Additional Medicare Tax		=		See instructions .
	23.	Combine the amounts on lines 7 t	hrough 22 of Column 4			
	24.	Deferred amount of social security tax* (Form 941 or 941-SS, line 13b)	* Use this line to correct the employer deferm	al for the second quarter of 2020 a	nd the employer and employee	See instructions deferral for the third and fourth quarters of 2020.
	25.	Refundable portion of credit for qualified sick and family leave wages for leave taken before April 1, 2021 (Form 941 or 941- SS, line 13c)		. =		See instructions
_	26a.	Refundable portion of employee retention credit (Form 941 or 941-SS, line 13d)		=		See
	26b.	Refundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021 (Form 941 or 941-SS, line 13e)		=		See instructions -
	2 6c.	Refundable portion of COBRA premium assistance credit (Form 941 or 941-SS, line 13f)		=		See
	27.	filing this form. (If you're cur	the amount you want applied as rently filing a Form 944, Employe the amount you want refunded of	a credit to your Form 9 er's ANNUAL Federal Ta		
		If line 27 is more than zero, to pay, see Amount you owe in to	this is the amount you owe. Pa he instructions.	y this amount by the tin	ne you file this return.	For information on how to
	28.	Qualified health plan expenses allocable to qualified sick leave wages for leave taken before April 1, 2021 (Form 941 or 941- SS, line 19)		=		
	29.	Qualified health plan expenses allocable to qualified family leave wages for leave taken before April 1, 2021 (Form 941 or 941-SS, line 20)	. –	_ =		
	30.	Qualified wages for the employee retention credit (Form 941 or 941-SS, line 21)		=		
	31a.	Qualified health plan expenses for the employee retention credit (Form 941 or 941-SS, line 22)		=		
_	31b.	Check here if you're eligible fo solely because your business is			th quarter of 2021	
WWW.JJtheCPA.com DO NOT ACT WITHOUT YOUR ADVISER'S ADVICE & RECOMMENDATION [ALL	32.	Credit from Form 5884-C, line 11, for this quarter* (Form 941 or 941-SS, line 23)	* Use line 32 to correct only the second	= = third, and fourth quarters of 20	120, and the first quarter of 2	
INFORMATIONAL PURPOSES ONLY] SEE DISCLAIMER ON PAGE 3. THANKS!	Page	3				Form 941-X (Rev. 7-2021)

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SOME AREAS TO PAY
ATTENTION TO.

Name (not your trade name)				tion number (EIN)	Correcting quarter (1, 2, 3, 4) Correcting calendar year (YYYY)		
							Curecuity calendar year (*****)
Part	3: Enter the corrections for the	nis quarter. If any line	e doesn'	t apply, leav	e it l	blank. (continued)	
		Column 1	Co.	lumn 2		Column 3	
		Total corrected amount (for ALL employees)	reporte previou	et originally ed or as usly corrected L employees)	=	Difference (If this amount is a negative number, use a minus sign.)	
33a.	Qualified wages paid March 13 through March 31, 2020, for the employee retention credit* (Form 941 or 941-SS, line 24)	*Use line 33a to correct only to	he second qu	sarter of 2020.	=		
33b.	Deferred amount of the employee share of social security tax included on Form 941 or 941-SS, line 13b* (Form 941 or 941-SS, line 24)	* Use line 33b to correct only to	the third and t	ourth quarters of 2	= 020.		
34.	Qualified health plan expenses allocable to wages reported on Form 941 or 941-SS, line 24* (Form 941 or 941-SS, line 25)	* Use line 34 to correct only the	e second qua	rter of 2020.	=		
Cautio	on: Lines 35-40 apply only to quarter	s beginning after March	31, 2021.				
35.	Qualified sick leave wages for leave taken after March 31, 2021 (Form 941 or 941-SS, line 23)		-		=		
36.	Qualified health plan expenses allocable to qualified sick leave wages for leave taken after March 31, 2021 (Form 941 or 941-SS, line 24)		-		=		
37.	Amounts under certain collectively bargained agreements allocable to qualified sick leave wages for leave taken after March 31, 2021 (Form 941 or 941-SS, line 25)		-		=		
38.	Qualified family leave wages for leave taken after March 31, 2021 (Form 941 or 941-SS, line 26)		-		=		
39.	Qualified health plan expenses allocable to qualified family leave wages for leave taken after March 31, 2021 (Form 941 or 941-SS, line 27)		-		=		
40.	Amounts under certain collectively bargained agreements allocable to qualified family leave wages for leave taken after March 31, 2021 (Form 941 or 941-SS, line 28)		-		=		
							Next ■▶
age 4	,						Form 941-X (Rev. 7-2021

www.JJtheCPA.com DO NOT ACT

DISCLAIMER ON PAGE 3. THANKS!

RECOMMENDATION [ALL

WITHOUT YOUR ADVISER'S ADVICE &

INFORMATIONAL PURPOSES ONLY] SEE

12/10/2021

BUT ONLY HIGHLIGHTING

SOME AREAS TO PAY

ATTENTION TO.

DO NOT PREPARE THIS

IF YOU ARE NOT FAMILIAR WITH THIS. THIS IS SLIDE/SEMINAR IS NOT SHOWING HOW TO PREPARE FORM 941-X,

Name (no	t your trade name)	Employer identification number (EIN)	Correcting quarter (1, 2, 3, 4)
			Correcting calendar year (YYYY)
Part 4	Explain your corrections for this quarter.		
	Check here if any corrections you entered on a line inc	clude both underreported and overreported	d amounts. Explain both
	your underreported and overreported amounts on line 43.		
	Check here if any corrections involve reclassified works		
4	 You must give us a detailed explanation of how you det 	termined your corrections. See the instruction	ons.
-			
-			
-			
Port 6	Sign here. You must complete all five pages of this	s form and sign it	
	penalties of perjury, I declare that I have filed an original Form 941		
Under			djusted return or claim, including
accom	panying schedules and statements, and to the best of my knowled	ge and belief, it is true, correct, and complete. D	djusted return or claim, including eclaration of preparer (other than
accom	panying schedules and statements, and to the best of my knowled er) is based on all information of which preparer has any knowledge	ge and belief, it is true, correct, and complete. D e.	djusted return or claim, including eclaration of preparer (other than
accom	panying schedules and statements, and to the best of my knowleder) is based on all information of which preparer has any knowledge	ge and belief, it is true, correct, and complete. D	djusted return or claim, including leclaration of preparer (other than
accom	panying schedules and statements, and to the best of my knowled	ge and belief, it is true, correct, and complete. D e. Print your name here Print your	djusted return or claim, including eclaration of preparer (other than
accom	panying schedules and statements, and to the best of my knowleds er) is based on all information of which preparer has any knowledge Sign your	ge and belief, it is true, correct, and complete. D e. Print your name here	djusted return or claim, including eclaration of preparer (other than
accom	panying schedules and statements, and to the best of my knowleds er) is based on all information of which preparer has any knowledge Sign your	ge and belief, it is true, correct, and complete. D e. Print your name here Print your	eclaration of preparer (other than
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Paid P Preparer Preparer Firm's n. if self-en	panying schedules and statements, and to the best of my knowleder) is based on all information of which preparer has any knowledge. Sign your name here Date / / reparer Use Only 's name pre signature ame (or yours inployed)	ge and belief, it is true, correct, and complete. De. Print your name here Print your title here Best daytime phone Check if you're PTIN Date EIN	eclaration of preparer (other than
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DO NOT PREPARE THIS IF YOU ARE NOT FAMILIAR WITH THIS.

THIS IS SLIDE/SEMINAR IS NOT SHOWING HOW TO PREPARE FORM 941-X, **BUT ONLY HIGHLIGHTING** SOME AREAS TO PAY ATTENTION TO.

BIGGEST CONCERN IN GETTING ERTC IN WHICH FORM 941 HAS ALREADY BEEN FILED?

HOW LONG DO I HAVE TO GO BACK AND GET MY MONEY ("CREDIT")?

Instructions for Form 941-X



(Rev. October 2020)

Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund

Is There a Deadline for Filing Form 941-X?

Generally, you may correct overreported taxes on a previously filed Form 941 if you file Form 941-X within 3 years of the date Form 941 was filed or 2 years from the date you paid the tax reported on Form 941, whichever is later. You may correct underreported taxes on a previously filed Form 941 if you file Form 941-X within 3 years of the date the Form 941 was filed. We call each of these time frames a "period of limitations." For purposes of the period of limitations, Forms 941 for a calendar year are considered filed on April 15 of the succeeding year if filed before that date.

WHAT?

IF YOU DIDN'T PREVIOUSLY CLAIM THE ERTC, YOU HAVE 3 YEARS FROM THE DATE THE ORIGINAL FORM 941 WAS FILED FOR THAT QUARTER OR

2 YEARS FROM DATE YOU PAID THE TAX REPORTED ON FORM 941, WHICHEVER IS LATER.

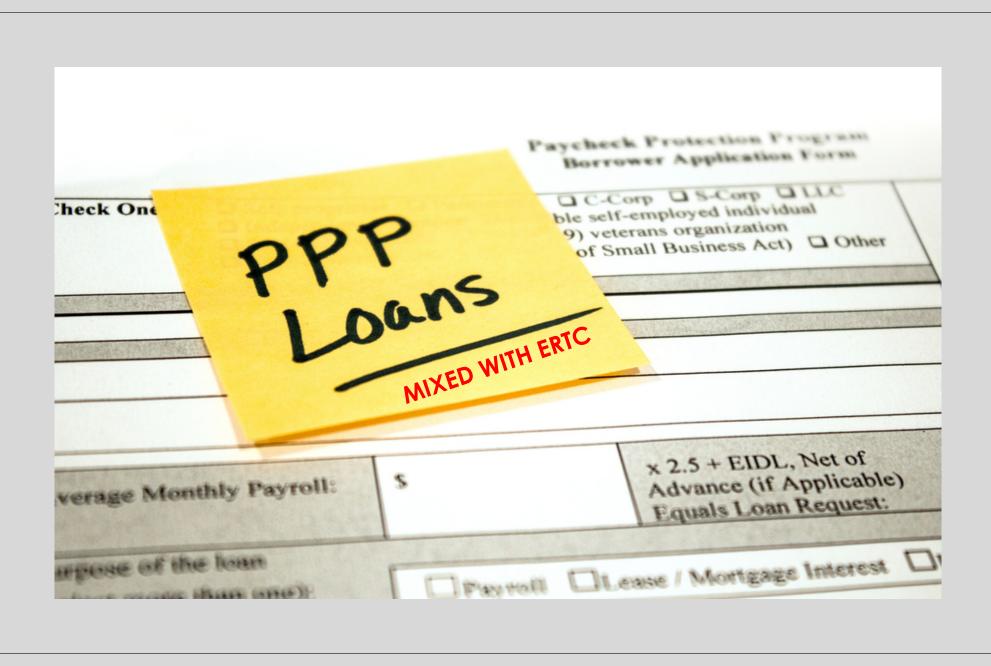
FORM 941 FOR ANY CALENDAR QUARTER IS DUE BY THE END OF THE FOLLOWING MONTH

1ST QUARTER – JAN, FEB, MARCH – FORM 941 DUE APRIL 30TH

2ND QUARTER – APRIL, MAY, JUNE – FORM 941 DUE JULY 31ST

3RD QUARTER – JULY, AUG, SEPT – FORM 941 DUE OCTOBER 31ST

4TH QUARTER – OCT, NOV, DEC – FORM 941 DUE JANUARY 31ST





TERMINOLOGY



"WAGES" FOR **ERTC** PURPOSES INCLUDE PAYROLL PLUS QUALIFIED HEALTH INSURANCE (NET OF ANY AMOUNT PAID BY THE EMPOLYEE)

"WAGES"
FOR PPP PURPOSES
INCLUDE
PAYROLL
PLUS

QUALIFIED HEALTH INSURANCE, DENTAL & VISION PAID BY THE EMPLOYER (NET OF ANY AMOUNT PAID BY THE EMPOLYEE) "MAXIMUM WAGES" FOR ERTC PURPOSES IS \$10,000.* THIS INCLUDES BOTH PAYROLL HEALTH INSURANCE

*Per Annual in 2020 *Per Quarter in 2021 (1ST, 2ND & 3RD Only)

"MAXIMUM WAGES" FOR PPP PURPOSES IS \$46,154* PIUS EMPLOYER PAID HEALTH, DENTAL & VISION INSURANCE**

*\$20,833 FOR 5% OR MORE OWNERS
**THESE INSURANCES ARE EXCLUDED FOR 5% OR MORE OWNERS OF S-CORPORATIONS

ERTC "WAGES"
ARE BASED ON
QUALIFYING PERIOD

PPP "WAGES"
ARE BASED ON
COVERED PERIOD

ERTC "WAGES"

ARE BASED ON

INCURRED

DURING THE QUALIFYING PERIOD

ARE BASED ON
PAID AND INCURRED
DURING THE QUALIFYING PERIOD

ERTC WAGES THAT QUALIFY ONLY INCLUDE "THE TIME PERIOD" OF QUALIFYING:

- 1) ONLY during the period of full or partial suspension of operations due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19. NOT FOR THE ENTIRE QUARTER IN WHICH THIS OCURRED. THE TIME PERIOD IS ONLY DURING SUSPENSION.
- 2) Experience a significant decline in gross receipts during the calendar quarter. QUALIFYING WAGES FOR THE ENTIRE QUARTER. THE TIME PERIOD IS THE ENTIRE QUARTER.

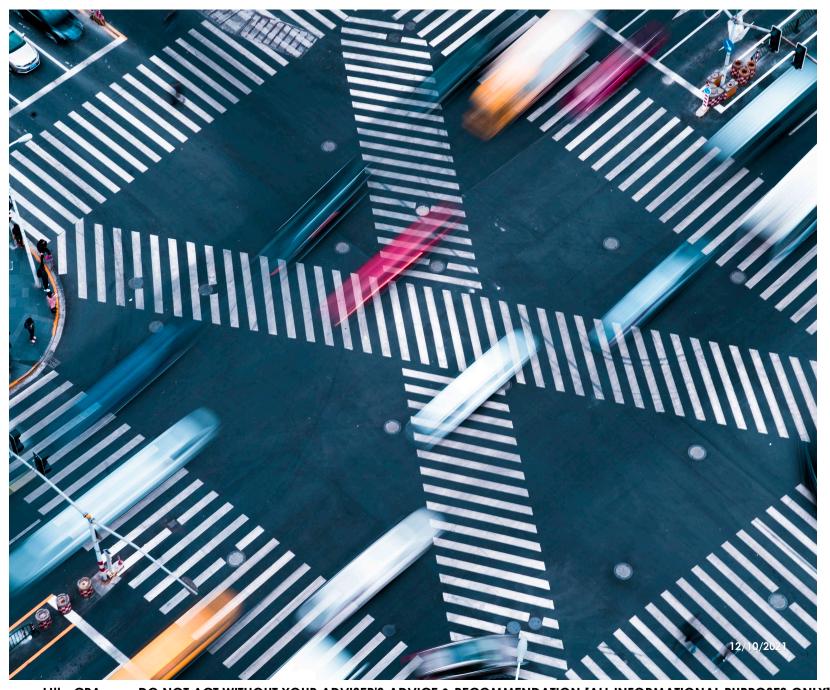
PPP WAGES THAT QUALIFY ONLY INCLUDE THE COVERED PERIOD

THE COVERED PERIOD BEGINS WHEN THE PPP FUNDS ARE DISBURSED, AND LASTS UP TO 24 WEEKS (168 DAYS).

THIS IS NOT BASED ON A CALENDAR QUARTERS.

THE BEGINNING PERIOD CANNOT BE ALTERED

WAGES INCLUDED ARE PAID AND INCURRED



BIGGEST MISCONCEPTION

WHEN
CALCULATING
PPP LOAN
FORGIVENESS

TOGETHER WITH

EMPLOYEE RETENTION TAX CREDIT

YOU HAVE TO USE UP PPP BEFORE YOU GET ERTC?

WRONG!

NOT CORRECT!

YOU CAN GET BOTH!

KEY: CAN'T GET BOTH ON THE SAME WAGES

HOW TO MAXIMIZE PPP LOAN FORGIVENESS AND ERTC

ACHIEVING FULL PPP LOAN FORGIVENESS IS MORE ECONOMICALLY VALUABLE

- PPP LOAN FORGIVENESS ONLY REQUIRES 60% BE USED FOR PAYROLL
 - HOW MUCH RENT, UTILITIES & QUALIFYING INTEREST IS THERE THAT CAN BE INCLUDED IN PPP LOAN FORGIVENESS?
 - DETERMINE HOW MUCH PAYROLL YOU ACTUALLY NEED TO GET PPP FORGIVENESS, MAXIMUM THAT CAN BE USED FOR PPP LOAN FORGIVENESS IS 40%
- QUALIFYING PAYROLL FOR PPP INCLUDES MORE PAYROLL RELATED COSTS
 - DENTAL & VISION INSURANCE PAID BY THE EMPLOYER, AND STATE UNEMPLOYMENT TAXES
- OWNERS WAGES CAN BE INCLUDED IN PPP, INCLUDED RELATED PARTIES
 - 5% OR MORE OWNERS LIMITED TO MAX \$20,833 WAGES. SPOUSES AND RELATED PARTIES NOT LIMITED TO \$20,833
- PAYROLL COSTS INCLUDES WAGES PLUS EMPLOYER PAID HEALTH, DENTAL & VISION INSURANCE
 - MAX WAGES PER EMPLOYEE INCLUDED FOR PPP IS \$40,154 (\$100,000 / 52 WEEKS x 24 WEEKS) WITH EMPLOYER PAID HEALTH, DENTAIL & VISION IN ADDITION
 - OWNERS OF S CORPORATIONS DO NOT GET TO INCLUDE THE EMPLOYER PAID HEALTH INSURANCE ON THEMSELVES. ALSO SEE COMPENSATION LIMIT ABOVE ON 5% OR MORE OWNERS.
 - ERTC IS \$10,000 MAX PER EMPLOYEE WHEN COMBINING WAGES AND EMPLOYER PAID HEALTH INSURANCE
- DEFINE YOUR PPP COVERED PERIOD AND YOUR ERTC QUALIFYING PERIOD
- IF ERTC PERIOD EXISTS OUTSIDE OF PPP COVERED PERIOD, CAPTURE THOSE WAGES & EMPLOYER PAID HEALTH INSURANCE FOR ERTC
- FOR THE PERIOD OF TIME WHERE THE ERTC QUALIFYING PERIOD OVERLAPS THE PPP COVERED PERIOD
 - FOR EMPLOYEES THAT TYPICALLY MAKE MORE THAN \$10,000 IN WAGES (PLUS EMPLOYER PAID HEALTH INSURANCE), WAGES & EMPLOYER PAID HEALTH INSURANCE ABOVE \$10,000 CAN BE INCLUDED IN PPP LOAN FORGIVENESS

ERTC vs. PPP

PPP

- DOES <u>NOT</u> REDUCE TAX DEDUCTIONS (NOT INCOME)
- COVERED PERIOD: 24 WEEKS
- \$46,154 MAX PER EMPLOYEE
- EMPLOYER PAID HEALTH INSURANCE IN ADDITION TO \$46,154 MAX WAGES PER EMPLOYEE (EXCEPT 5% OR MORE S CORPORATION OWNERS)
- \$20,833 MAX FOR <u>5%</u> OR MORE OWNERS
- OWNERS INCLUDED
- WAGES TO OWNERS RELATIVES CAN BE INCLUDED
- FAMILY ATTRIBUTION & 267c RULES DO NOT APPLY
- PAYROLL COSTS <u>INCLUDE</u> EMPLOYER PAID VISION/DENTAL
- PPP LOAN FORGIVENESS INCLUDES RENT, UTILITIES & INTEREST

ERTC

- DOES REDUCE PAYROLL TAX DEDUCTIONS (NOT INCOME)
- QUAIFYING PERIOD: GOV'T ORDERS or CALENDAR QTR
- \$10,000 MAX PER EMPLOYEE
- EMPLOYER PAID HEALTH INSURANCE IS <u>NOT</u> IN ADDITION TO THE \$10,000 MAX PER EMPLOYEE
- \$10,000 MAX WAGES FOR <u>50%</u> OR LESS OWNERS
- OWNERS OVER 50% EXCLUDED (IRC SECTION 267c RULES APPLY)
- WAGES TO OWNERS RELATIVES CANNOT BE INCLUDED FOR MORE THAN 50% OWNERS (IRC SECTION 267C RULES APPLY)
- IRC SECTION 267c RULES APPLY TO DETERMINE CONSTRUCTIVE OWNERSHIP
- PAYROLL COSTS DO <u>NOT</u> INCLUDE EMPLOYER PAID VISION/DENTAL
- ERTC DOES <u>NOT</u> INCLUDE ANYTHING EXCEPT QUALIFED WAGES & EMPLOYER PAID HEALTH INSURANCE

COMMON QUESTIONS WHEN CALCULATING PPP LOAN FORGIVENESS AND ERTC

- CAN WAGES IN THE SAME PAY-PERIOD BE USED FOR BOTH ERTC & PPP?
 - YES, THE SAME FXACT WAGES CANNOT.
- CAN WAGES TO A SINGLE EMPLOYEE BE USED FOR BOTH ERTC & PPP IN THE SAME PAY-PERIOD?
 - YES, BUT NOT THE SAME FXACT WAGES.
- WHAT DOES "EXACT WAGES" MEAN WHEN TRYING TO MAXIMIZE PPP LOAN FORGIVENESS & ERTC?
 - IF WE WERE TO BREAK AN EMPLOYEE'S WAGES DOWN TO TIME IN THE DAY. THE SAME "TIME" CANNOT BE USED FOR BOTH.
 - EXAMPLE WOULD BE TO BREAK AN EMPLOYEE'S PAY INTO 15 MINUTE INCREMENTS (EVEN IF SALARIED):
 - FOR AN 8 HOUR WORK-DAY, 6 HOURS & 45 MINUTES COULD BE USED FOR ERTC... AND 1 HOUR & 15 MINUTES COULD BE USED FOR PPP
- HEALTH INSURANCE NEED TO FOLLOW HOW WAGES ARE APPLIED TO EITHER?
 - NO.
 - FRIC COULD BE NOTHING BUT WAGES FOR A PARTICULAR EMPLOYEE
 - AND ALL THE EMPLOYER PAID HEALTH INSURANCE COULD BE USED FOR PPP LOAN FORGIVENESS PURPOSES
 - THE KEY IS THAT THE HEALTH INSURANCE "AMOUNT" CAN ONLY BE USED FOR ERTC OR PPP.
 - YES, SOME OF THE HEALTH INSURANCE CAN BE USED FOR ERTC, AND THE OTHER FOR PPP.
- WHAT IF WAGES WERE INCURRED IN QUARTER 1, BUT PAID IN QUARTER 2, WHEN DOES IT COUNT FOR ERTC PURPOSES?
 - WHEN INCURRED.
- WHAT IF WAGES WERE INCURRED IN QUARTER 1, BUT PAID IN QUARTER 2, WHEN DOES IT COUNT FOR PPP PURPOSES?
 - IRRELEVANT BECAUSE FOR PPP IT IS BASED ON THE COVERED PERIOD, NOT BY QUARTER. FURTHERMORE, IT IS WAGES PAID AND INCURRED.



MAXIMIZING ERTC OR PPP? WHAT'S BETTER?

 TYPICALLY, PPP LOAN FORGIVENESS IS MORE VALUABLE ECONOMICALLY THAN THE ERTC

• LET'S DO THE MATH, SHALL WE...

MAXIMIZING ERTC OR PPP? WHAT'S BETTER?

- PPP LOAN FORGIVENESS IS
 - FREE MONEY DOLLAR FOR DOLLAR OF QUALIFYING PAYROLL COSTS
 - NOT GROSS INCOME
 - DOES NOT REDUCE DEDUCTIONS (WHICH INCREASES THE TAX SAVINGS)
 - TAX-FREE INCOME THAT IS TAX-DEDUCTIBLE
 - FURTHER INCREASES THE ECONOMIC BENEFIT AS EACH DOLLAR SAVES TAXES AS WELL (AT TAX RATE)
 - \$10,000 IN QUALIFYING PAYROLL COSTS (EXCLUDING DENTAL, VISION & GROUP LIFE)
 - THE BUSINESS DID NOT USE ITS OWN DOLLARS FOR THIS DEDUCTION*
 - SAVES UP TO 37% IN FEDERAL TAXES (MORE IF STATE INCOME TAX EXISTS)
 - AT 37% TAX RATE, SAVES \$3,700 IN TAXES
 - ECONOMIC BENEFIT IS \$10,000 + \$3,700 0* = \$13,700

MAXIMIZING ERTC OR PPP? WHAT'S BETTER?

• ERTC IS

- FREE MONEY BUT ONLY 70% IN 2021 (50% IN 2020) OF EACH DOLLAR OF QUALIFYING PAYROLL COSTS
- NOT GROSS INCOME
- BUT DOES REDUCE DEDUCTIONS
 - THE TAX CREDIT REDUCES DOWN THE WAGES DEDUCTION ON THE INCOME TAX RETURN FOR THE BUSINESS
- \$10,000 IN QUALIFYING PAYROLL COSTS
- IN 2021, NET OF \$7,000 TAX CREDIT = \$3,000 TAX DEDUCTION (AT 37% TAX RATE, SAVES \$1,110 IN TAXES)
 - BUSINESS HAD TO SPEND A NET \$3,000 IN PAYROLL COSTS FROM BUSINESSES OWN MONEY
 - COMPARED TO PPP: ECONOMIC BENEFIT IS \$7,000 ERTC + \$1,110 TAX SAVINGS \$3,000 NET SPENT= \$5,110
 - NOT COMPARED TO PPP: \$7,000 ERTC SAVED BUSINESS \$7,000, BUT THE REDUCTION OF EXPENSES COSTS \$2,590 IN TAX SAVINGS LOST, WHICH NETS THE ERTC TO \$4,410
- IN 2020, NET OF \$5,000 TAX CREDIT = \$5,000 TAX DEDUCTION (AT 37% TAX RATE, SAVES \$1,850 IN TAXES)
 - BUSINESS HAD TO SPEND A NET \$5,000 IN PAYROLL COSTS FROM BUSINESSES OWN MONEY
 - COMPARED TO PPP: ECONOMIC BENEFIT IS $$5,000 \text{ ERTC} + $1,850 \text{ TAX SAVINGS} $5,000 \text{ NET SPENT} = $1,850 \text{ IN STATE OF STATE OF$
 - NOT COMPARED TO PPP: \$5,000 ERTC SAVED BUSINESS \$5,000, BUT THE REDUCTION OF EXPENSES COSTS \$1,850 IN TAX SAVINGS LOST, WHICH NETS THE ERTC TO \$3,150

PPP IS MORE ECONOMICALLY VALUABLE

- BASED ON \$10,000
 - THE MATH WOULD WORK THE SAME EVEN IF A LARGER OR SMALLER AMOUNT
 - BEING A LOWER TAX BRACKET WILL NOT CHANGE THE OVERALL RESULT OF PPP LOAN FORGIVENESS BEING MORE VALUABLE FOR THE SIMPLE FACT THAT THE AMOUNT USED FROM FORGIVEN PPP FUNDS DOES NOT REDUCE DOWN THE DEDUCTION AND PROVIDES FOR A DEDUCTION IN ADDITION TO THAT FOR A DOUBLE BENEFIT
- PPP
 - ECONOMIC BENEFIT IS \$13,700
- ERTC
 - IN 2021, COMPARED TO PPP: \$5,110
 - IN 2020, COMPARED TO PPP: \$1,850

ANALYSIS OF THE ECONOMIC VALUE OF PPP vs. ERTC

\$10,000 IN QUALIFYING PAYROLL COSTS (EXCLUDING DENTAL, VISION & GROUP LIFE)
ASSUMED 37% TAX RATE APPLIES

PPP FUNDS RECEIVED/FORGIVEN	\$ 10,000
MONEY SPENT FROM BUSINESSES FUNDS	\$ -
TAX DEDUCTION SAVINGS AT 37%	\$ 3,700
TOTAL ECONOMIC VALUE OF PPP	\$ 13,700
ERTC TAX CREDIT RECEIVED: 2021	\$ 7,000
NET MONEY SPENT FROM BUSINESSES FUNDS	\$ (3,000)
TAX DEDUCTION OF NET \$3,000 AT 37%	\$ 1,110
TOTAL ECONOMIC VALUE OF ERTC	\$ 5,110 COMPARE D TO PPP
ERTC TAX CREDIT RECEIVED: 2020	\$ 5,000
NET MONEY SPENT FROM BUSINESSES FUNDS	\$ (5,000)
TAX DEDUCTION OF NET \$5,000 AT 37%	\$ 1,850
TOTAL ECONOMIC VALUE OF ERTC	\$ 1,850 COMPARED TO PPP

BECAUSE PPP FUNDS ARENOT MONIES FROM THE BUSINESSES FUNDS, AND IT CREATES A TAX DEDUCTION, THE FINAL ANALYSIS IS...

PPP FUNDS ARE MORE VALUABLE THAN THE ERTO

THE ERTC IS STILL VALUABLE, FOR ANY AMOUNT ABOVETHE PPP FUNDS FORGIVEN (SEE BELOW)

WITHOUT COMPARING TO PPP (PPP IS FREE MONEY THAT IS DEDUCTIBLE) ERTC REDUCES DOWN THE DEDUCTION OF WAGES

ERTC TAX CREDIT RECEIVED: 2021 REDUCTION OF \$7,000 TAX DEDUCTION AT 37% O TOTAL ECONOMIC VALUE OF ERTC	COST \$	7,000 (2,590) 4,410
ERTC TAX CREDIT RECEIVED: 2020 REDUCTION OF \$5,000 TAX DEDUCTION AT 37% O TOTAL ECONOMIC VALUE OF ERTC	COST \$	5,000 (1,850) 3,150

PPP vs. ERTC: ECONOMIC VALUE CALC (pdf)

PPP vs. ERTC ECONOMIC VALUE

BECAUSE PPP FUNDS ARE
NOT MONIES FROM THE
BUSINESSES FUNDS, AND IT
CREATES A TAX DEDUCTION,
THE FINAL ANALYSIS IS...

PPP FUNDS ARE MORE VALUABLE THAN THE ERTC

THE ERTC IS STILL VALUABLE, FOR ANY AMOUNT ABOVE THE PPP FUNDS FORGIVEN

FINAL ANALYSIS: CHOOSING PPP vs. ERTC

PRESERVE PPP LOAN FORGIVENESS

OVER MAXIMIZING THE ERTC!

MEANING, IF YOU HAVE CHOOSE WHAT PAYROLL GETS APPLIED TO,

CHOOSE PPP LOAN FORGIVENESS PURPOSES

NOW YOU KNOW THE PRIORITY BETWEEN PPP & THE ERTC

ERTC INTERACTION WITH PPP EITHER ROUND, EITHER DRAW





REMEMBER WE DID THE FINAL ANALYSIS: CHOOSING PPP vs. ERTC



PRESERVE PPP LOAN FORGIVENESS

OVER MAXIMIZING THE ERTC!

MEANING, IF YOU HAVE CHOOSE WHAT PAYROLL GETS APPLIED TO,

CHOOSE PPP LOAN FORGIVENESS PURPOSES

NOW YOU KNOW THE PRIORITY BETWEEN PPP & THE ERTC

ERTC INTERACTION WITH PPP EITHER ROUND, EITHER DRAW

PER THE



PER THE SBA: EXCLUDE WAGES USED FOR ERTC FROM PPP FORGIVENESS PAYROLL COSTS

FORM 3508-S (PAGE 4) CASH COMPENSATION: "Do not include qualified wages taken into account in determining the Employer Retention Credit"

Cash Compensation: The sum of gross salary, gross wages, gross tips, gross commissions, paid leave (vacation, family, medical or sick leave, not including leave covered by the Families First Coronavirus Response Act), and allowances for dismissal or separation paid or incurred during the Covered Period. Do not include qualified wages taken into account in determining the Employer Retention Credit. For each individual employee, the total amount of cash compensation eligible for forgiveness may not exceed an annual salary of \$100,000, as prorated for the Covered Period. For example, for an 8-week Covered Period, the maximum is \$15,385; for a 24-week Covered Period, the maximum is \$46,154. You can only include compensation of employees who were employed by the Borrower at any point during the Covered Period and whose principal place of residence is in the United States.

FORM 3508-EZ (PAGE 6) CASH COMPENSATION: Same language as above

FORM 3508 (PAGE 10) CASH COMPENSATION: Same language as above

SBA IFR: Paycheck Protection Program (PPP) as Amended by the Economic Aid Act Effective 1/6/21 (PAGES 58-59): Payroll costs that are qualified wages taken into account in determining the Employer Retention Credit are not eligible for loan forgiveness.

12/10/2021

ERTC INTERACTION WITH PPP EITHER ROUND, EITHER DRAW

PER THE



PER THE IRS: AFTER THE APPROPRIATIONS ACT

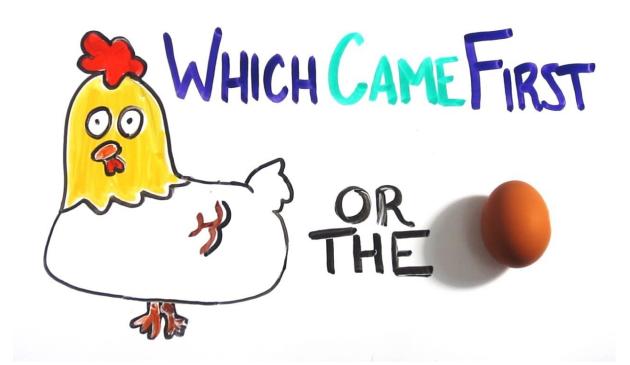
IRS RELEASE OF CHANGES (1/22/2021):

"Under section 206(c) of the Taxpayer Certainty and Disaster Tax Relief Act of 2020, an employer that is eligible for the employee retention credit (ERC) can claim the ERC even if the employer has received a Small Business Interruption Loan under the Paycheck Protection Program (PPP).

The eligible employer can claim the ERC on any qualified wages that are <u>not counted as</u> <u>payroll costs in obtaining PPP loan forgiveness</u>.

Any wages that could count toward eligibility for the ERC or PPP loan forgiveness can be applied to either of these two programs, but not both."

176



BEST PRACTICE

- 1. GET ERTC
- 2. GET PPP
 LOAN
 FORGIVENSS

BEST PRACTICE:

REPORT TO IRS,
FILE WITH IRS
& RECEIVE ERTC FROM IRS

THEN FILE FOR
PPP LOAN FORGIVENESS
WITH WAGES NOT USED FOR ERTC

THIS CONFIRMS YOU DID NOT USE ERTC WAGES FOR PPP WAGES

WHY?

ONCE YOU FILE FOR PPP LOAN FORGIVENESS,
YOU LOCK (FOREVER) THOSE WAGES TO PPP.
WITH THE ERTC,
YOU CAN AMEND WITH THE IRS TO MAKE CORRECTIONS
(BUT NOT AFTER PPP FORGIVENESS, WITH PPP WAGES)

CONCLUSION: PPP LOAN FORGIVENESS NOT APPLIED FOR/NOT RECEIVED

BY REPORTING WAGES TO THE IRS FOR ERTC PURPOSES,
YOU HAVE ELECTED SUCH WAGES OUT OF PPP FORGIVENESS

THIS WOULD REQUIRE ACTUALLY REPORTING SUCH WAGES TO THE IRS
BEFORE FILING FOR FORGIVENESS

FOR MY CLIENTS,

WE WILL STILL WAIT TO FILE FOR PPP FORGIVENESS UNTIL AFTER THE ERTC IS ACTUALLY RECEIVED (i.e. APPROVED BY IRS)

THE Mechanics of the ERTC & PPP



THE MECHANICS OF ERTC w/ PPP (Expanded)

- DETERMINE TIME PERIODS FOR BOTH
 - ERTC QUALIFYING
 - PPP COVERED PERIOD (24 WEEKS)
- GATHER PAYROLL RECORDS FOR ALL PERIODS
- LIST EMPLOYEES PAID DURING ANY OF THE TIME PERIODS ABOVE
 - IF APPLICABLE, DETERMINE EMPLOYEES THAT AREN'T EMPLOYED DURING BOTH PERIODS
 - IDENTIFY OWNERS
- LIST EMPLOYEE'S COMPENSATION
 - LIST ANNUALIZED WAGES BY EMPLOYEE
 - LIST WAGES PER PAYROLL PERIOD (AVERAGE IF VARIES) BY EMPLOYEE
 - LIST WAGES PER DAY BY EMPLOYEE
 - LIST WAGES PER HOUR BY EMPLOYEE
- LIST EMPLOYEE'S HEALTH INSURANCE PAID BY THE BUSINESS (NOTE: PPP INCLUDES DENTAL, VISION & GROUP LIFE)
 - LIST HEALTH INSURANCE PER MONTH PER EMPLOYEE
 - LIST HEALTH INSURANCE PER PAYROLL PERIOD PER EMPLOYEE
 - LIST HEALTH INSURANCE PER DAY PER EMPLOYEE
- DETERMINE PPP FORGIVENESS REQUIREMENTS
 - DETERMINE 60% OF PPP FOR MINIMUM AMOUNT NEEDED TO ACHIEVE PPP FORGIVENESS
 - DETERMINE AMOUNT OF RENT, UTILITIES, INTEREST AND OTHER ALLOWABLE COSTS DURING COVERED PERIOD
 - IDENTITY PAYROLL WHEN PAYROLL ACTUALLY "PAID" DURING THE COVERED PERIOD
 - IDENTITY EMPLOYEE'S WITH COMPENSATION IN EXCESS OF \$46,153 ANNUALLY (\$100,000 / 52 WEEKS X 24 WEEKS = \$46,154)
 - IDENTITY EMPLOYEE'S RELATED HEALTH INSURANCE COSTS (EXCLUDING DENTAL, VISION AND GROUP LIFE)

THE MECHANICS OF ERTC w/ PPP (Expanded)

- IDENTIFY THE APPLICABLE WAGES & HEALTH INSURANCE
 - IDENTIFY WAGES & HEALTH INSURANCE FOR THE ERTC
 - IDENTIFY WAGES & HELATH INSURANCE FOR PPP FORGIVENESS.
 - NOTE: PPP PAYROLL COSTS FOR PPP FORGIVENESS ALSO INCLUDE DENTAL, VISION & GROUP LIFE
- DETERMINE THE MINIMUM AMOUNT OF PAYROLL COSTS NEEDED TO ACHIEVE PPP LOAN FORGIVENESS.
 - 60% OF THE PPP LOAN (ASSUMING AT LEAST 40% IN RENT, UTILITIES, INTEREST & OTHER ALLOWED EXPENSES)
- THE ANALYSIS BEGINS
- FIRST, BECAUSE LESS WAGES QUALIFY FOR ERTC: \$10,000 PER EMPLOYEE IN 2020 AND \$10,000 PER QUARTER IN 2021
 - FIRST IDENTIFY THE WAGES AVAILABLE FOR ERTC PURPOSES
- THE REMAINING IDENTIFIES THE WAGES THAT REMAIN FOR PPP LOAN FORGIVENESS PURPOSES.
 - DETERMINE IF THIS IS ENOUGH (WITH DENTAL, VISION & GROUP LIFE ADDED) TO ACHIEVE PPP FORGIVENESS.
 - ENSURE THAT YOU ARE PULLING WAGES FOR THE ERTC PERIOD, NOT THE JUST THE COVERED PERIOD
 - ENSURE THAT THE WAGES USED FOR PPP LOAN FORGIVENESS ARE ONLY IN THE COVERED PERIOD
- IF THERE IS NOT ENOUGH WAGES TO MAXIMIZE THE ERTC AND ACHIEVE PPP LOAN FORGIVENESS, GO OPPOSITE
 - IDENTIFY THE WAGES AVAILABLE FOR PPP LOAN FORGIVENESS.
 - ENSURE YOU ARE ADDING TO PAYROLL COSTS THE DENTAL, VISION & GROUP LIFE COSTS
 - ENSURE YOU ARE TAKING INTO ACCOUNT THE OPPORTUNITY OF USING "PAID AND INCURRED"
 - THIS MAY PULL PAYROLLS INTO PPP FORGIVENESS OUTSIDE THE TIME FRAME FOR ERTC PURPOSES
- THE REMAINING WAGES IDENTIFY THE WAGES THAT REMAIN FOR ERTC PURPOSES

THE MECHANICS OF ERTC w/ PPP (Expanded)

JJ, WHAT DID THAT ALL MEAN IN THE PRIOR SLIDE?

- 1. DETERMINE THE AMOUNT OF PAYROLL COSTS NEEDED TO ACHIEVE FULL PPP LOAN FORGIVENESS.
- 2. CALCULATE WAGES PER EMPLOYEE
- 3. CALCULATE ERTO TO DETERMINE WAGES USED DURING QUALIFIED PERIOD OF TIME FOR ERTO
- 4. CALCULATE PPP LOAN FORGIVENESS WITH REMAINING WAGES IN COVERED PERIOD TO DETERMINE IF ENOUGH WAGES LEFT TO ACHIEVE FULL-FORGIVENESS
- 5. IF NOT ENOUGH PAYROLL COSTS TO ACHIEVE FULL PPP FORGIVENESS, STRATEGICALLY PULL WAGES FROM ERTC

WHY CALCULATE ERTC BEFORE PPP FORGIVENESS?

WHY CALCULATE ERTC FIRST?

LESS WAGES ARE POTENTIALLY ELIGIBLE (\$10,000 PER EMPLOYEE PER PERIOD ALLOWED)
& IN 2021 POTENTIALLY LESS TIME PERIOD TO USE WAGES (PER QUARTER OR GOV'T SHUTDOWN)

WHY CALCULATE PPP LOAN FORGIVENESS AFTER ERTC?

MORE WAGES ARE ALLOWED FOR PPP (\$100,000 / 52 WEEKS X 24 WEEKS = \$46,154)

- & OWNERS, SPOUSES & RELATED INDIVIDUALS ARE INCLUDED
- & PAYROLL COSTS INCLUDE DENTAL, VISION & GROUP LIFE, AS WELL AS STATE UNEMPLOYMENT TAX
- & ONLY 60% OF PPP LOAN FORGIVENESS NEEDS TO BE PAYROLL COSTS

 (ASSUMING THERE IS AT LEAST 40% IN RENT, UTILITIES, INTEREST & OTHER ALLOWED EXPENSES

WHAT IF I RUN SHORT ON ACHIEVING FULL PPP LOAN FORGIVENESS?

IF ERTC USES TOO MUCH PAYROLL COSTS, THEN GO BACK AND PULL PAYROLL COSTS FROM ERTC TO APPLY

TO PPP LOAN FORGIVENESS

ERTC & PPP LOAN FORGIVENESS



ERTC PURPOSES TO DETERMINE HOW MUCH PAYROLL COST IS NEEDED TO ACHIEVE FULL PPP LOAN FORGIVENESS AND MAXIMIZE ERTC SIMPLE BREAK-DOWN OF PPP PPP LOAN AMOUNT 148,000 60% FOR PAYROLL 88,800 40% FOR RENT, ETC. 59,200

ANALYSIS: MAX ERTC & PPP LOAN FORGIVENESS (EXCEL)

ERTC PURPOSES TO DETERMINE HOW MUCH PAYROLL COST IS NEEDED TO ACHIEVE FULL PPP LOAN FORGIVENESS AND MAXIMIZE ERTC

SIMPLE BREAK-DOWN OF PPP	
PPP LOAN AMOUNT	148,000
60% FOR PAYROLL	88,800
40% FOR RENT, ETC.	132,584

FOR PPP LOAN FORGIVENESS PURPOSES		
IN 24 WEEK COVERED PERIOD		
GROSS WAGES	327,876	*
HEALTH INSURANCE	29,508	*
DENTAL INSURANCE	8,853	
VISION INSURANCE	1,771	
STATE UNEMPLOYMENT TAX	778	
TOTAL PAYROLL COSTS FOR PPP	368,786	
RENT	55,300	
UTILITIES	9,884	
INTEREST	4,922	
OTHER ALLOWABLE	1,487	
TOTAL OTHER PPP COSTS	71,593	
GRAND TOTAL AVAILABLE FOR PPP FORGIVENESS	440,379	

FOR PPP LOAN FORGIVENESS PURPOSES		
IN 24 WEEK COVERED PERIOD		
GROSS WAGES	327,876	*
HEALTH INSURANCE	29,508	*
DENTAL INSURANCE	8,853	
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TOTAL PAYROLL COSTS FOR PPP	368,786	
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UTILITIES	9,884	
INTEREST	4,922	
OTHER ALLOWABLE	1,487	
TOTAL OTHER PPP COSTS	71,593	
GRAND TOTAL AVAILABLE FOR PPP FORGIVENESS	440,379	

FOR ERTC PURPOSES		
THIS DOESN'T MEAN ALL THIS PAYROLL COUNTS.		
SHOWING THE DIFFERENCE BETWEEN PPP & ERTC.		
GROSS WAGES	327,876	ajc
HEALTH INSURANCE	29,508	a)c
TOTAL "WAGES" FOR ERTC	357,384	

2020 THE ANALYSIS (SIMPLISTIC)		
ASSUME ERTC PERIOD IS INSIDE THE COVERED PERIOD		
THESE NUMBERS ARE MADE UP, FOR EXAMPLE PURPOSES		
ASSUME 10 EMPLOYEES ELIGIBLE FOR ERTC		
GROSS WAGES 10 EMPLOYEES	90,000	**
HEALTH INSURANCE ALLOCATED	10,000	**
TOTAL "WAGES" FOR ERTC (MAX \$10,000 PER EE)	100,000	

2020 THE ANALYSIS (SIMPLISTIC)		
ASSUME ERTC PERIOD IS INSIDE THE COVERED PERIOD		
THESE NUMBERS ARE MADE UP, FOR EXAMPLE PURPOSES		
ASSUME 10 EMPLOYEES ELIGIBLE FOR ERTC		
GROSS WAGES 10 EMPLOYEES	90,000	3/c 3/c
HEALTH INSURANCE ALLOCATED	10,000	એલ્ એલ
TOTAL "WAGES" FOR ERTC (MAX \$10,000 PER EE)	100,000	

PAYROLL COSTS FOR PPP		
LESS ERTC USED IN 24 WEEK COVERED PERIOD (ABOVE)		
GROSS WAGES (REDUCED FOR ERTC WAGES USED)	237,876	**
HEALTH INSURANCE (REDUCED FOR ERTC USE)	19,508	**
DENTAL INSURANCE	8,853	
VISION INSURANCE	1,771	
STATE UNEMPLOYMENT TAX	778	
TOTAL PAYROLL COSTS FOR PPP	268,786	
ONLY 60% PAYROLLL NEEDED FOR PPP PURPOSES		
SEE ABOVE. 60% OF PPP LOAN	88,800	

EMPLOYERS THAT HAVE RECEIVED PPP FORGIVENESS

WE ARE ALLOWED TO GO BACK TO THE PPP LOAN FORGIVENESS APPLICATION AND PULL OUT PAYROLL INCLUDED THAT IS IN EXCESS OF PAYROLL COSTS NEEDED TO ACHIEVE PPP LOAN FORGIVENESS. THEREFORE, FOR EXAMPLE:

PPP LOAN WAS \$100,000

TO ACHIEVE FULL FORGIVENESS, ONLY 60% IN PAYROLL COSTS IS NEEDED or \$60,000

THE BORROWER ALSO LISTED \$40,000 IN RENT, UTILITIES & INTEREST

ON THE PPP LOAN FORGIVENESS APPLICATION \$180,000 WAS LISTED AS PAYROLL COSTS

BECAUSE ONLY \$60,000 WAS REQUIRED TO ACHIEVE FULL FORGIVENESS, THE AMOUNT OF PAYROLL COSTS NOT NEEDED TO ACHIEVE FULL PPP LOAN FORGIVENESS CAN BE ELIGIBLE FOR ERTC PURPOSES

THIS DOES NOT REQUIRE AN AMENDED PPP LOAN FORGIVENESS APPLICATION BE FILED (WHICH PRESENTLY IS NOT POSSIBLE FOR THESE PURPOSES)

AGAIN, WHY CALCULATE ERTC BEFORE PPP FORGIVENESS?

PPP LOAN FORGIVENESS ALLOWS FOR

MORE PAYROLL PER EMPLOYEE

EXCLUDES LESS EMPLOYEES

INCLUDES ADDITIONAL EXPENSES IN THE PAYROLL COSTS

60% REQUIREMENT

MORE WAGES ARE ALLOWED FOR PPP (\$100,000 / 52 WEEKS X 24 WEEKS = \$46,154)

- & OWNERS, SPOUSES & RELATED INDIVIDUALS ARE INCLUDED
- & PAYROLL COSTS INCLUDE DENTAL, VISION & GROUP LIFE, AS WELL AS STATE UNEMPLOYMENT TAX
- & ONLY 60% OF PPP LOAN FORGIVENESS NEEDS TO BE PAYROLL COSTS

(ASSUMING THERE IS AT LEAST 40% IN RENT, UTILITIES, INTEREST & OTHER ALLOWED EXPENSES

FOR ALL THE INFORMATION ON PPP GO TO www.SBA.gov/PPP

Link on the seminar webpage



CARES ACT

Page 67

SEC. 2310

CONSOLIDATED APPROPRIATIONS ACT

Page 4927 SEC. 206. Employee Retention Credit (ERTC)

Page 4929 New provisions related to taking ERTC & receiving PPP (can get both now)

Page 4932 ERTC Retroactive, report in quarter after the enactment date (4th quarter)

Page 4933 SEC. 207. Extension & modification to ERTC

70% of eligible wages, up to \$10,000 per employee, per quarter

Extended to quarters 1 & 2 in 2021 (before 7/1/2021)

CARES ACT & CONSOLIDATED APPROPRIATIONS ACT FIND FULL TEXT AT LINK PROVIDED

Pages listed are to the pdf containing the Act, and are the starting page to the section



SEC. 206. CLARIFICATIONS AND TECHNICAL IMPROVEMENTS TO CARES ACT EMPLOYEE RETENTION CREDIT.

(b) Modification of Treatment of Health Plan Expenses. -- Section 2301(c) of the CARES Act is amended--(1) by striking subparagraph (C) of paragraph (3), and (2) in paragraph (5) --(A) by striking `The term' and inserting the following: ``(A) In general.--The term'', and (B) by adding at the end the following new subparagraph: ``(B) Allowance for certain health plan expenses.--``(i) In general. -- Such term shall include amounts paid by the eligible employer to provide and maintain a group health plan (as defined in section 5000(b)(1) of the Internal Revenue Code of 1986), but only to the extent that such amounts are excluded from the gross income of employees by reason of section 106(a) of such Code. ``(ii) Allocation rules.--For purposes of this section, amounts treated as wages under clause (i) shall be treated as paid with respect to any employee (and with respect to any period) to the extent that such amounts are properly allocable to such employee (and to such period) in such manner as the Secretary may prescribe. Except as otherwise provided by the Secretary, such allocation shall be treated as properly made if made on the basis of being

pro rata among periods of coverage.''.

SEC. 206. CLARIFICATIONS AND TECHNICAL IMPROVEMENTS TO CARES ACT EMPLOYEE RETENTION CREDIT.

(c) Improved Coordination Between Paycheck Protection Program and Employee Retention Tax Credit.--

- (1) Amendment to paycheck protection program. -- Section 7A(a)(12) of the Small Business Act, as redesignated, transferred, and amended by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, is amended by adding at the end the following: `Such payroll costs shall not include qualified wages taken into account in determining the credit allowed under section 2301 of the CARES Act or qualified wages taken into account in determining the credit allowed under subsection (a) or (d) of section 303 of the Taxpayer Certainty and Disaster Relief Act of 2020.''.
 - (2) Amendments to employee retention tax credit. --
 - (A) In general. -- Section 2301(g) of the CARES Act is amended to read as follows:
 - ``(g) Election to Not Take Certain Wages Into Account. --
 - ``(1) In general.--This section shall not apply to so much of the qualified wages paid by an eligible employer as such employer elects (at such time and in such manner as the Secretary may prescribe) to not take into account for purposes of this section.

SEC. 206. CLARIFICATIONS AND TECHNICAL IMPROVEMENTS TO CARES ACT EMPLOYEE RETENTION CREDIT.

``(2) Coordination with paycheck protection program.—The Secretary, in consultation with the Administrator of the Small Business Administration, shall issue guidance providing that payroll costs paid during the covered period shall not fail to be treated as qualified wages under this section by reason of an election under paragraph (1) to the extent that a covered loan of the eligible employer is not forgiven by reason of a decision under section 7A(g) of the Small Business Act. Terms used in the preceding sentence which are also used in section 7A of the Small Business Act shall have the same meaning as When used in such section.''.

- (B) Conforming amendments. --
 - (i) Section 2301 of the CARES Act is amended by striking subsection (j).
 - (ii) Section 2301(1) of the CARES Act is amended by striking paragraph (3) and by redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.

- (a) Extension. --
 - (1) In general.--Section 2301(m) of the CARES Act is amended by striking ``January 1, 2021'' and inserting ``July 1, 2021''.
 - (2) Conforming amendment.--Section 2301(c)(2)(A)(i) of the CARES Act is amended by striking ``during calendar year 2020'' and inserting ``during the calendar quarter for which the credit is determined under subsection (a) ''.
- (b) Increase in Credit Percentage. -- Section 2301(a) of the CARES Act is amended by striking ``50 percent'' and inserting ``70 percent''.
- (c) Increase in Per Employee Limitation. -- Section 2301(b)(1) of the CARES Act is amended by striking ``for all calendar quarters shall not exceed \$10,000'' and inserting ``for any calendar quarter shall not exceed \$10,000''.

- (d) Modifications to Definition of Eligible Employer. --
 - (1) Decrease in reduction in gross receipts necessary to Qualify as eligible employer. --
 - (A) In general.--Section 2301(c)(2)(A)(ii)(II) of the CARES Act is amended to read as follows:

 ``(II) the gross receipts (within the meaning of section 448(c) of the

 Internal Revenue Code of 1986) of such employer for such calendar quarter are

 less than 80 percent of the gross receipts of such employer for the same

 calendar quarter in calendar year 2019.''.
 - (B) Application to employers not in existence in 2019.—Section 2301(c)(2)(A) of the CARES Act, as amended by subparagraph (A), is amended by adding at the end the following new flush sentence:
 - ``With respect to any employer for any calendar quarter, if such employer was not in existence as of the beginning of the same calendar quarter in calendar year 2019, clause (ii) (II) shall be applied by substituting `2020' for `2019'.''.
 - (2) Election to determine gross receipts test based on prior quarter. --
 - (A) In general. -- Subparagraph (B) of section 2301(c)(2) of the CARES Act is amended to read as follows:
 - ``(B) Election to use alternative quarter.--At the election of the employer--
 - ``(i) subparagraph (A)(ii)(II) shall be applied--
 - ``(I) by substituting `for the immediately preceding calendar quarter' for `for such calendar quarter', and
 - ``(II) by substituting `the corresponding calendar quarter in calendar year 2019' for `the same calendar quarter in calendar year 2019, and
 - ``(ii) the last sentence of subparagraph (A) shall be applied by substituting `the corresponding calendar quarter in calendar year 2019' for `the same calendar quarter in calendar year 2019'.

- (e) Modification of Determination of Qualified Wages. --
 - (1) Modification of threshold for treatment as a large employer. -- Section 2301(c)(3)(A) of the CARES Act is amended by striking ``100'' each place it appears in clauses (i) and (ii) and inserting ``500''.
 - (2) Elimination of limitation. -- Section 2301(c)(3) of the CARES Act is amended--
 - (A) by striking subparagraph (B), and
 - (B) by striking ``Such term'' in the second sentence of subparagraph (A) and inserting the following:
 - ``(B) Exception. -- The term `qualified wages'''.
- (f) Denial of Double Benefit. -- Section 2301(h) of the CARES Act is amended --
 - (1) by striking paragraphs (1) and (2) and inserting the following:
 - ``(1) Denial of double benefit.--Any wages taken into account in determining the credit allowed under this section shall not be taken into account as wages for purposes of sections 41, 45A, 45P, 45S, 51, and 1396 of the Internal Revenue Code of 1986.''.
 - (2) by redesignating paragraph (3) as paragraph (2).

- (i) Public Awareness Campaign. -- Section 2301 of the CARES Act is amended by adding at the end the following new subsection:

 ``(n) Public Awareness Campaign. --
 - ``(1) In general.--The Secretary shall conduct a public awareness campaign, in coordination with the Administrator of the Small Business Administration, to provide information regarding the availability of the credit allowed under this section.
 - ``(2) Outreach.--Under the campaign conducted under paragraph (1), the Secretary shall--
 - ``(A) provide to all employers which reported not more than 500 employees on the most recently filed return of applicable employment taxes a notice about the credit allowed under this section and the requirements for eligibility to claim the credit, and
 - ``(B) not later than 30 days after the date of the enactment of this subsection, provide to all employers educational materials relating to the credit allowed under this section, including specific materials for businesses with not more than 500 employees.''.

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