

THE Mechanics
of the ERTC

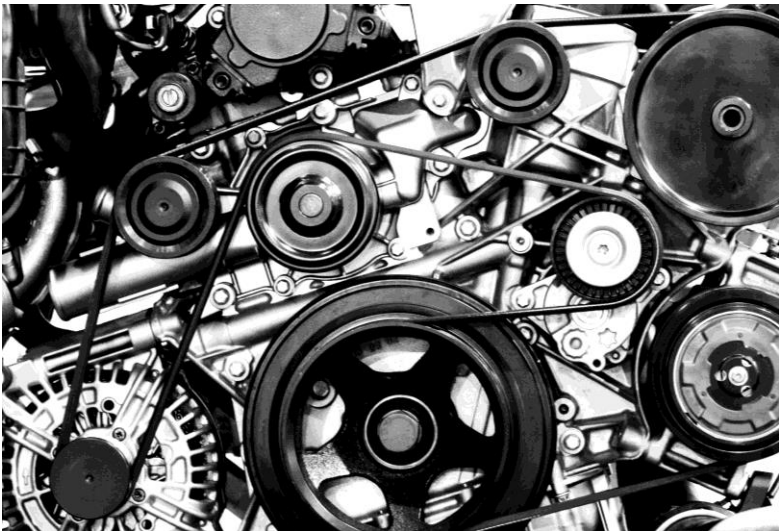
7 STEPS

THE MECHANICS OF ERTC

STEP 1

DO YOU QUALIFY?

WHAT TIME PERIOD QUALIFIES?



- **DETERMINE IF EMPLOYER QUALIFIES AS A BUSINESS**
 - IF YOU HAVE W-2 PAID EMPLOYEES THERE WERE PAID DURING THE QUALIFYING PERIODS, YOU ARE AN EMPLOYER THAT INITIALLY QUALIFIES.
- **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
 - 50% REDUCTION IN GROSS RECEIPTS REQUIRED IN 2020
 - 20% REDUCTION IN GROSS RECEIPTS REQUIRED IN 2021
 - REDUCTION OF REDUCTION IN GROSS RECEIPTS IS ALWAYS COMPARED TO THE SAME QUARTER IN 2019

THE MECHANICS OF ERTC

STEP 2

WHAT EMPLOYEES ARE INCLUDED BASED ON YEAR?



- DETERMINE WHICH YEAR:
 - 2020 **OR** 2021
- NUMBER OF EMPLOYEES ALWAYS BASED ON “FULL-TIME EMPLOYEE” HEAD COUNT IN **2019** ONLY. ACTUAL EMPLOYEE HEAD COUNT IN 2020 & 2021 IS IRRELEVANT.
 - 2020 -100 or LESS EMPLOYEES IN 2019?
 - 2021 – 500 or LESS EMPLOYEES IN 2019?
 - ALL EMPLOYEES INCLUDED WHETHER THEY WORKED OR NOT
 - EMPLOYEES EMPLOYED IN 2019 DO NOT NEED TO STILL BE STILL EMPLOYED IN 2020 OR 2021
 - EMPLOYEES INCLUDE ALL CLASSIFICATIONS OF EMPLOYEES, INCLUDING PART-TIME & FULL-TIME
 - 2020 - OVER 100 EMPLOYEES IN 2019?
 - 2021 – OVER 500 EMPLOYEES IN 2019?
 - ONLY EMPLOYEES THAT DID NOT WORK BUT GOT PAID ARE INCLUDED
 - EMPLOYEES EMPLOYED IN 2019 DO NOT NEED TO STILL BE STILL EMPLOYED IN 2020 OR 2021
 - EMPLOYEES INCLUDE ALL CLASSIFICATIONS OF EMPLOYEES, INCLUDING PART-TIME & FULL-TIME

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STEP 3

WHAT WAGES ARE INCLUDED, BASED ON YEAR?

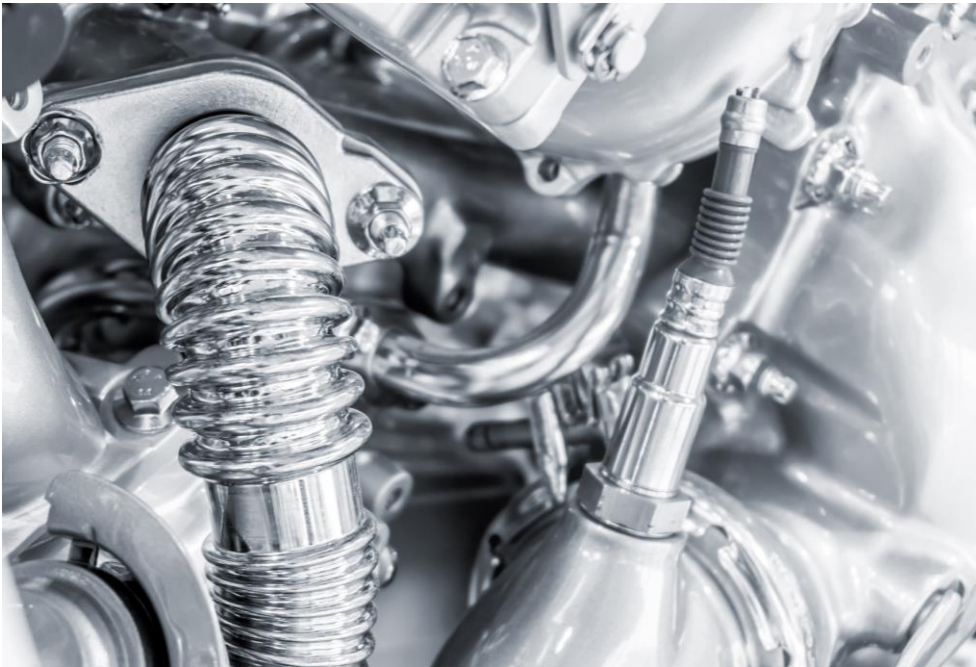


- **WAGES EXCLUDE FOR EITHER 2020 OR 2021:**
 - WAGES USED FOR OTHER TAX CREDITS AND PPP FORGIVENESS
 - WAGES EXEMPT FROM SOCIAL SECURITY & MEDICARE TAXES
 - WAGES TO EMPLOYEES THAT ARE MORE THAN 50% OWNERS AND THEIR RELATIVES (MORE THAN 50% OWNERSHIP IS BASED ON FAMILY ATTRIBUTION RULES APPLY)
- **WAGES INCLUDE ALL CLASSIFICATIONS OF EMPLOYEES REGARDLESS OF EMPLOYEE SIZE CLASSIFICATION**
 - INCLUDES ALL FULL-TIME, PART-TIME, HOURLY, TEMPORARY, NON-EXEMPT SALARIED & EXEMPT SALARIED EMPLOYEES, AS WELL AS PRE-EXISTING VACATION SICK & OTHER LEAVE POLICY PAID WAGES
 - EMPLOYEES ARE NEVER, UNDER ANY CIRCUMSTANCE, BROKEN INTO AN ESSENTIAL OR NON-ESSENTIAL CLASSIFICATIONS. THIS MEANS REGARDLESS IF THE EMPLOYEE IS ESSENTIAL OR NOT, THEY ARE INCLUDED
 - WHETHER THE EMPLOYEE WAS EMPLOYED IN 2019 IS IRRELEVANT
- **NUMBER OF EMPLOYEES**
 - **2020 - 100 or LESS EMPLOYEES IN 2019?**
 - **2021 – 500 or LESS EMPLOYEES IN 2019?**
 - **ALL WAGES & EMPLOYER PAID HEALTH INSURANCE INCLUDED, REGARDLESS IF THE EMPLOYEE WORKED OR NOT**
 - **2020 - OVER 100 EMPLOYEES IN 2019?**
 - **2021 – OVER 500 EMPLOYEES IN 2019?**
 - 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, EXCEPT IN 2021

THE MECHANICS OF ERTC

STEP 4

**DETERMINE THE MAXIMUM WAGES INCLUDED,
BASED ON YEAR?**



- **ADDING QUALIFIED WAGES PLUS EMPLOYER PAID HEALTH INSURANCE TO DETERMINE THE \$10,000 MAX PER EMPLOYEE**
 - IT IS **NOT** \$10,000 OF WAGES AND HEALTH INSURANCE ON TOP OF THAT
- **\$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
 - IF A RECOVERY START UP BUSINESS
 - \$10,000 FOR QUARTER 4

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STEP 5

DETERMINE THE APPLICABLE CREDIT PERCENTAGE OF QUALIFIED WAGES, BASED ON YEAR?



***FOR ERTC PURPOSES, THE IRS DEFINES QUALIFIED WAGES AS WAGES PLUS EMPLOYER PAID HEALTH INSURANCE**

2020

- 50% OF THE QUALIFIED WAGES*
- \$10,000 MAX WAGES* PER EMPLOYEE
 - FOR ENTIRE YEAR OF 2020
- EQUATES TO \$5,000 MAX CREDIT PER EMPLOYEE FOR ALL 2020

2021

- 70% OF THE QUALIFIED WAGES*
- \$10,000 MAX WAGES* PER EMPLOYEE
 - FOR EACH QUARTER IN 2021
 - 4TH QUARTER ONLY FOR RECOVER START UP BUSINESS
- EQUATES TO \$7,000 MAX CREDIT PER EMPLOYEE PER QUARTER
 - RECOVERY START UP BUSINESS ONLY QUALIFIES IN 3RD & 4TH QUARTER
 - RECOVERY START UP BUSINESS OVERALL MAXIMUM PER QUARTER IS \$50,000 CREDIT

THE MECHANICS OF ERTC

- **QUALIFIED WAGES**
 - WHICH INCLUDES THE EMPLOYER PAID HEALTH INSURANCE
 - WITH \$10,000 MAXIMUM PER EMPLOYEE
- **DURING QUALIFIED PERIOD**
 - IF DUE TO GOVERNMENTAL SHUTDOWN
 - THE EXACT DAYS OF THE SHUTDOWN
 - IF DUE TO GROSS RECEIPT REDUCTION
 - ENTIRE QUARTER
- **MULTIPLIED BY**
 - 70% in 2021
 - 50% in 2020
- **EQUALS THE ERTC AMOUNT**

STEP 6

THE EMPLOYEE RETENTION TAX CREDIT CALCULATION



THE MECHANICS OF ERTC

STEP 7



GET THE CREDIT, i.e. THE MONEY

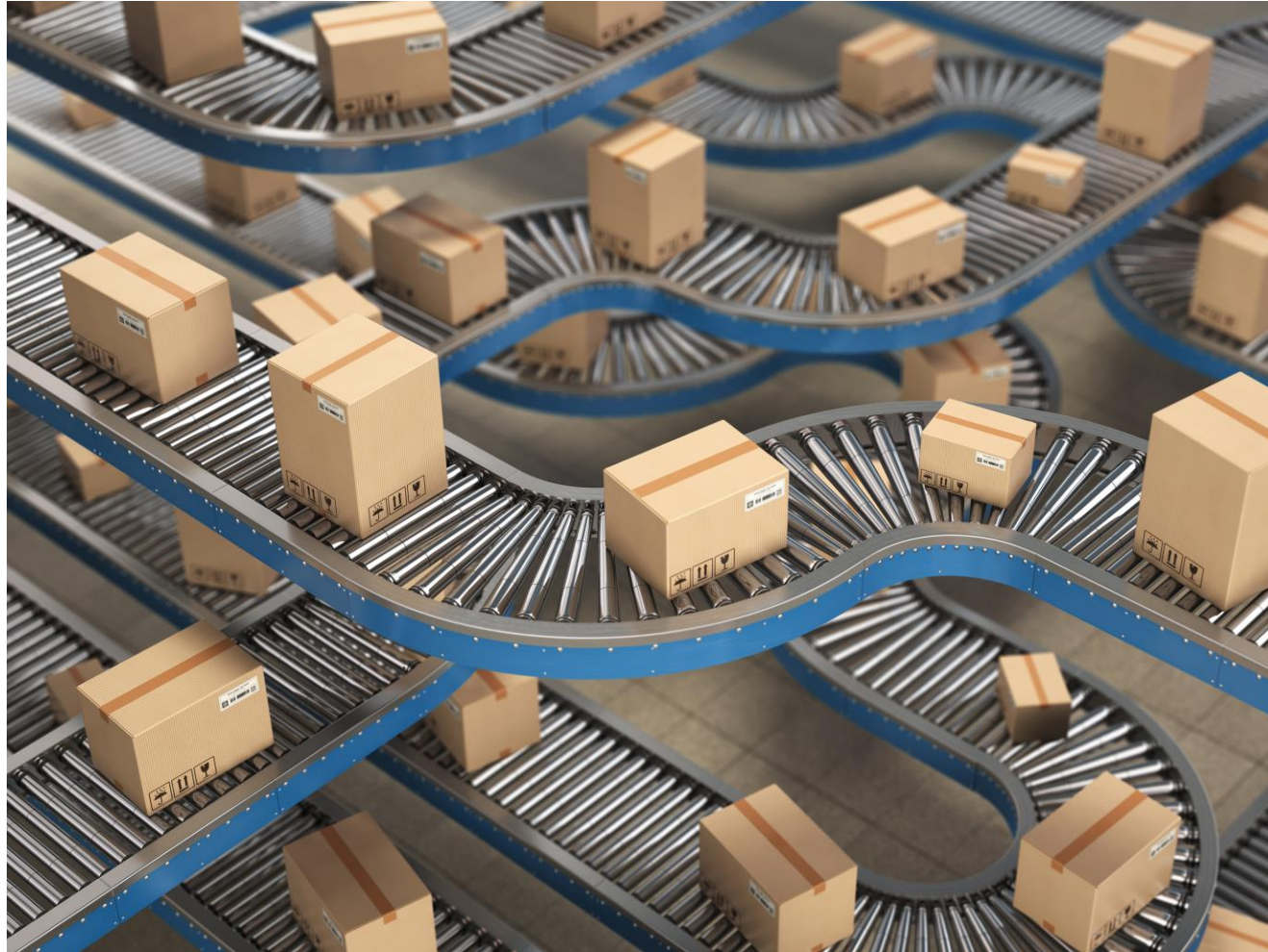
FILE FOR 941-X

- REQUEST “CLAIM” FOR REFUND

OR

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

NOTE: IF FOR SOME REASON YOU NEVER FILED THE ORIGINAL FORM 941, YOU WOULD THEN REPORT THIS CREDIT ON FORM 941 BECAUSE YOU HAVE NEVER FILED FOR ERTC BEFORE, FOR THAT QUARTER.



LET'S MAKE
THE COMPLICATED,
SIMPLE.

THE EMPLOYEE RETENTION TAX CREDIT IS

QUALIFIED 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**) 4TH FOR “RECOVERY START UP” BUSINESS
- 50% for ENTIRE YEAR in 2020

GET MONEY FROM IRS

- File Form 941x for refund or applied credit