

# EMPLOYEE RETENTION CREDIT (ERC)

## EXECUTIVE SUMMARY

Can take if received PPP

- **Retroactive back to 3/13/2020**
- **Wages used for ertc cannot be used for PPP forgiveness**
- **Wages used already for PPP forgiveness 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

\$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 1<sup>st</sup>, 2<sup>nd</sup> & 3<sup>rd</sup> QUARTERS 2021

- Max **\$7,000** payroll tax credit per employee per quarter
  - **Max \$21,000 per employee for 2021**
- Available 4<sup>th</sup> quarter 2021 for recovery start ups

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 **Or**
- 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 ertc

- Report & file form 941-x
  - **Either claiming a credit carryover or refund**
- **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)**