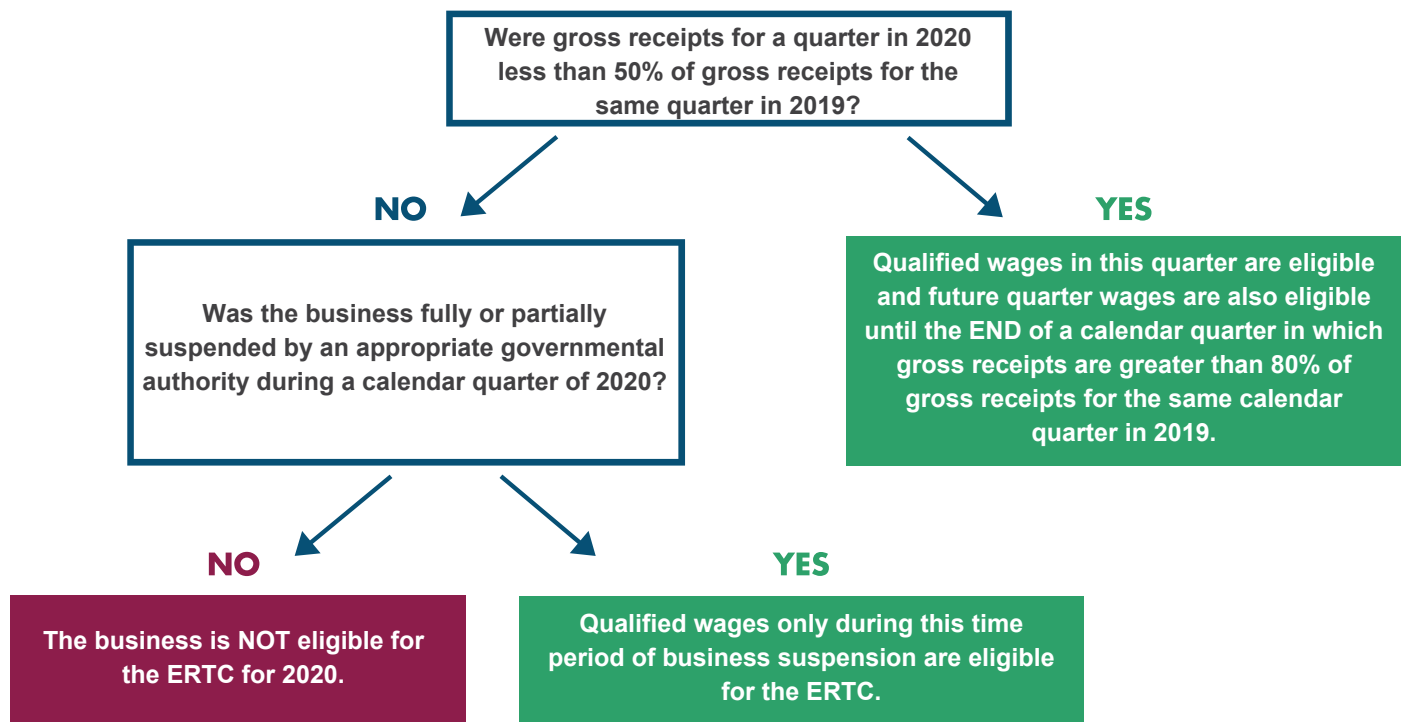


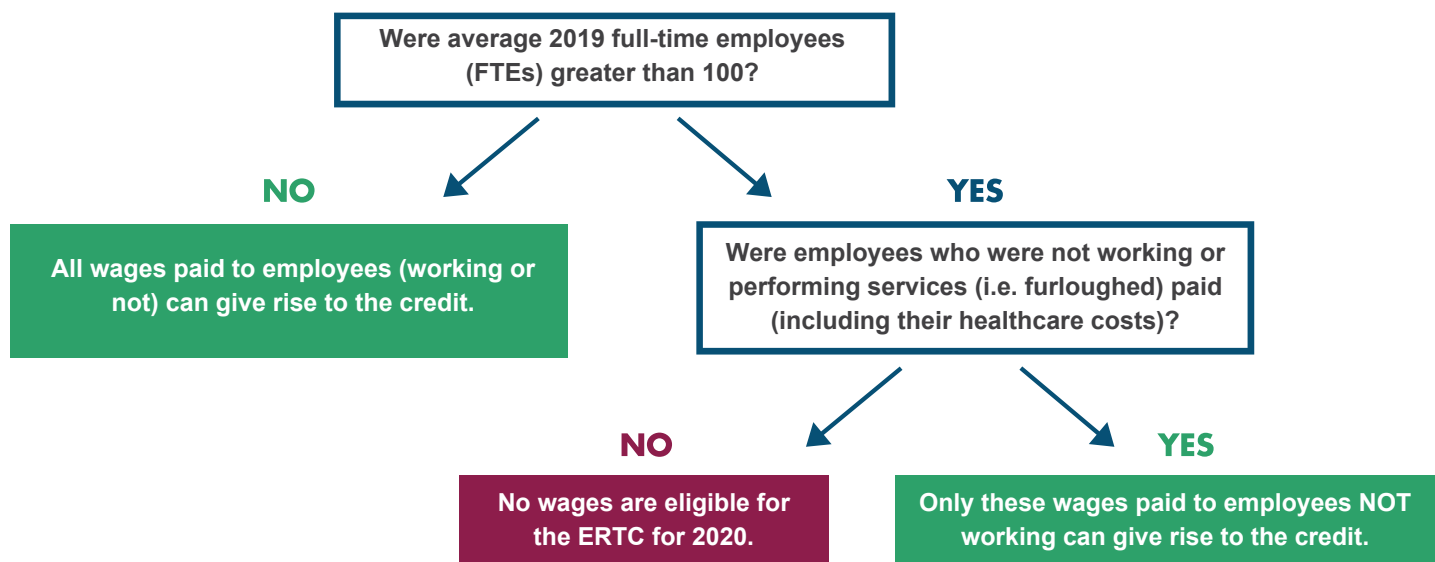
EMPLOYEE RETENTION TAX CREDIT (ERTC)

The Consolidated Appropriations Act (CAA) contains provisions to fund government operations, provides economic support to individuals and businesses and includes extensive tax law changes. One significant provision focuses on the changes to the Employee Retention Tax Credit (ERTC). Now, even businesses that received a PPP loan are eligible for the ERTC. This change is retroactive to March 13, 2020.

IS MY BUSINESS ELIGIBLE FOR THE ERTC IN 2020?



WHAT QUALIFIED WAGES ARE ELIGIBLE FOR THE ERTC?



**For the 2020 ERTC, qualified wages are those paid from March 13, 2020 to December 31, 2020. Qualified wages are limited to \$10,000 per employee for a maximum 50% credit of \$5,000 per employee.*

EMPLOYEE RETENTION TAX CREDIT (ERTC)

The Consolidated Appropriations Act (CAA) contains provisions to fund government operations, provides economic support to individuals and businesses and includes extensive tax law changes. One significant provision focuses on the changes to the Employee Retention Tax Credit (ERTC). The ERTC has been extended through June 30, 2021.

IS MY BUSINESS ELIGIBLE FOR THE ERTC IN 2021?

Were gross receipts for Q1 or Q2 2021 less than 80% of gross receipts for the same calendar quarter in 2019?

OR

Were gross receipts for the immediately preceding calendar quarter less than 80% of gross receipts for the corresponding calendar quarter in calendar year 2019?

NO

YES

Was the business fully or partially suspended by an appropriate governmental authority during a calendar quarter of 2021?

Qualified wages in this quarter are eligible.

NO

YES

The business is NOT eligible for the ERTC for 2021.

Qualified wages only during this time period of business suspension are eligible for the ERTC.

WHAT QUALIFIED WAGES ARE ELIGIBLE FOR THE ERTC?

Were average 2019 full-time employees (FTEs) greater than 500?

NO

YES

All wages paid to employees (working or not) can give rise to the credit.

Were employees who were not working or performing services (i.e. furloughed) paid (including their healthcare costs)?

NO

YES

No wages are eligible for the ERTC for 2021.

Only these wages paid to employees NOT working can give rise to the credit.

**For the 2021 ERTC, qualified wages are those paid from January 1, 2021 to June 30, 2021. Qualified wages are limited to \$10,000 per employee per quarter for a maximum 70% credit of \$7,000 per employee per quarter.*

EMPLOYEE RETENTION TAX CREDIT

- Retroactive change: **eligible even if you received PPP loan**
- **Optimize benefits between ERTC and PPP**
 - What if PPP forgiveness application has already been filed?
- **Cannot use same payroll costs for ERTC, PPP, FFCRA**
- "Qualified" wages:
 - Wages & compensation paid to employees (subject to FICA taxes)
 - Includes allocable qualified health plan expenses
 - If full-time employees > 100 (or 500 for 2021), only wages paid to employees for time they are not providing services
 - If full-time employee count is 100 or less (or 500 for 2021), all wages paid to employees
 - Do not include wages paid to related individuals (as defined by Section 51(l)(1))
- Full-time employee test
 - Based on 2019 average monthly full-time employees (as defined in section 4980H)
 - Full-time employee means an average of at least 30 hours per week or 130 hours in a month
 - Aggregation rules apply – treat related entities as a single employer



EMPLOYEE RETENTION TAX CREDIT

- Satisfy one of the following two:
 1. **Required to fully or partially suspend business operations**
 - Due to orders from appropriate governmental authority order imposing restrictions AND
 - Orders limit commerce, travel, or group meetings due to COVID-19 AND
 - Orders affect the employer's operations of its typical operations
 2. **Business experiences a significant decline (>50% for 2020 or >20% for 2021) in gross receipts during a calendar quarter when compared to same calendar quarter in 2019**
 - Special election for 2021 to use immediately preceding calendar quarter for gross receipts test
- 2020 credit:
 - **50% tax credit** on qualified wages up to \$10,000 per employee
- 2021 credit (for Q1-Q2):
 - **70% tax credit** on qualified wages up to \$10,000 per employee per quarter



HOW TO RECEIVE ERTC BENEFITS

- **For 2020 ERTC:**
 - File amended quarterly payroll report (941-X)
 - If 4th quarter 941 is not yet filed, all qualifying wages can be included on 4th quarter 941
- **For 2021 ERTC:**
 - Retain a corresponding amount of EFTPS payroll tax deposits for expected credit amount
 - Wait until end of quarter to get refunded
 - File Form 7200 for advance payment (only for employers with 500 or fewer full-time employees in 2019)
 - Capped at 70% of 2019 average quarterly wages
 - Do not reduce deposits AND request advance payment for same expected credit

