

Employee Retention Credit Summary



2020 CREDIT

Eligibility

1. Were you partially or fully shut down due to government health orders during any part of 2020?

OR

2. Did you experience a decline of gross receipts of 50% or more in any quarter of 2020, compared to the applicable quarter in 2019?

NOTE: Under option #1, a business will only receive a credit on wages paid during the part of the quarter the business was shut down.

NOTE: Tax exempt organizations described in section 501(c) are eligible for the credit.

NOTE: Gross receipts are per the basis of accounting used on your tax returns. Gross receipts must be aggregated at the controlled group level.

FTE Count

1. For companies with LESS than 100 FTE (based on a 30 hour work week), ALL wages and allocable health insurance paid to an employee during an eligible quarter give rise to a credit.
2. For companies with MORE than 100 FTE, only wages and allocable health insurance paid to an employee during an eligible quarter to NOT PROVIDE SERVICES (they didn't actually do any work for you but you still paid them) are eligible for the credit.

NOTE: Need to look at FTE totals at the controlled group level.

Credit Amount

- ❖ 50% of eligible wages and health insurance up to \$10,000 of wages/health insurance. Capped at \$5,000 max for the ENTIRE year per employee.
 - Does not reset each quarter in 2020.
- ❖ Wages used for ERC cannot be used for PPP loan forgiveness.
 - Ordering rules – wages are applied to ERC first, then PPP loan forgiveness.
 - BUT, you can make an election to apply wages to PPP first.
- ❖ Previously could not take ERC if you applied for a PPP loan, but now you can.

Outstanding Questions

- ❖ What happens if you already applied for PPP loan forgiveness? Nobody was concerned about ERC until about a week ago, and didn't take it into account on the PPP loan forgiveness application. If someone has already applied for PPP, is it election automatically made to apply wages to PPP first, then ERC?
- ❖ How do you retroactively apply for 2020 credits? Do you have to amend your 2020 941s, or can you take it on your next 941? These are both items that will require further IRS guidance.

2021 CREDIT

Eligibility

1. Were you partially or fully shut down due to government health orders during the first and/or second quarter of 2021?

OR

2. Did you experience a decline of gross receipts of 20% or more in the first and/or second quarter of 2021, compared to the applicable quarter in 2019? For newer businesses, you compare it to the applicable quarter of 2020.

OR

3. Did your fourth quarter 2020 gross receipts decline by 20% or more compared to the 4th quarter of 2019? An election can be made to use the prior quarter's gross receipts.

NOTE: Under option #1, a business will only receive a credit on wages paid during the part of the quarter the business was shut down.

FTE Count

1. For companies with LESS than 500 FTE, all WAGES and allocable health insurance paid to an employee during an eligible quarter give rise to a credit.

Credit Amount

- ❖ Credit is available for the first and second quarters of 2021.
- ❖ 70% of eligible wages and health insurance up to \$10,000 of wages/health insurance. Capped at \$7,000 max per quarter per employee.
 - DOES reset each quarter in 2021.
 - Wages used for ERC cannot be used for PPP loan forgiveness.
 - Ordering rules – wages are applied to ERC first, then PPP loan forgiveness. BUT, you can make an election to apply wages to PPP first.
- ❖ Can take advance credit amounts prior to filing your 941s.

Considerations

- ❖ If a client applies for PPP round 2, they will need to make sure they aren't using their payroll for both PPP and ERC. A client may want to consider using eligible non-payroll costs on their PPP loan forgiveness application.
- ❖ Interaction with payroll service providers – how will they claim these credits?

Questions? Contact:

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