

# Employee Retention Credit "ERC"

**URGENT - Employers: Take A Second Look**

**Consider Eligible Claims: 2020 CARES Act – 2021 Covid Relief Bill**

The Consolidated Appropriations Act, 2021 ("CAA" OR "COVID Relief Bill") became law on 12/27/2020. The COVID Relief Bill **extends and enhances** the ERC originally introduced by the CARES Act in March 2020. At a minimum, all employers SHOULD REVIEW eligibility for the credit both in 2020 and 2021.

**It is not too late to amend for 2020 and claim for 2021.**



Employee Retention Credit (ERC)	Original CARES Act for 2020	CAA / COVID Relief Bill for 2021
Eligible Employer	For 2020, an employer may qualify for the credit if they meet <u>one</u> of the following: <ul style="list-style-type: none"> <li>Govt. Order – Your offices were closed, or operations partially suspended by a government order, OR</li> <li>Gross Receipts – You experienced a 50% or more decline in gross receipts compared to the same quarter in 2019.</li> </ul>	Gross Receipts Test Modifications – For first two quarters of 2021, an employer may qualify for the credit if gross receipts for a quarter are less than 80% of gross receipts compared to the same quarter in <u>2019</u> .
Eligible Period	Eligibility period from March 13 <sup>th</sup> through the end of 2020.	Eligibility period extended through the first 2 quarters of 2021.
Credit Percentage	50% of qualified wages applicable for the entirety of 2020.	70% of qualified wages applicable for the first 2 quarters of 2021.
Qualified Wage Limit	\$10,000 per employee for the entirety of 2020.	\$10,000 per quarter, per employee (\$20,000 total) for the first 2 quarters of 2021.
Maximum Potential Credit Total (2020 and 2021): \$5,000 + \$14,000 = \$19,000	\$5,000 (50% of \$10,000) per employee for the entirety of 2020.	\$14,000 (70% of \$20,000) per employee for the first two quarters of 2021.
Qualified Wages - Definition	Employers with 100 or fewer full-time employees (small employer) – <b>all</b> wages and healthcare costs paid during eligibility period. Employers with more than 100 full-time employees (large employer) – all wages paid to employees who are NOT providing services (full or partial reduction)	Increases definition of small employer to 500 or fewer employees, allowing wages and healthcare paid to ALL employees to qualify for employers with 500 or fewer employees.
PPP Loan Impact	Companies that received a loan under the Paycheck Protection Program ("PPP") were unable to claim an employee retention credit, even if such loan was not forgiven.	Companies are <b>retroactively</b> eligible to claim both an Employee Retention Credit and a PPP loan. <b>Awaiting guidance</b> – you may be able to revise your use of PPP funds so that other expenses qualify, as wages used for forgiveness of the PPP are <u>ineligible</u> to also be claimed for the ERC.
Small Employer Max Credit Example	Eligible small business employer with 100 employees could receive up to \$500K credit in 2020.	Eligible small business employer with 500 employees could receive up to \$7M credit in 2021.