



**SENSIBA SAN FILIPPO**

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Certified



Corporation

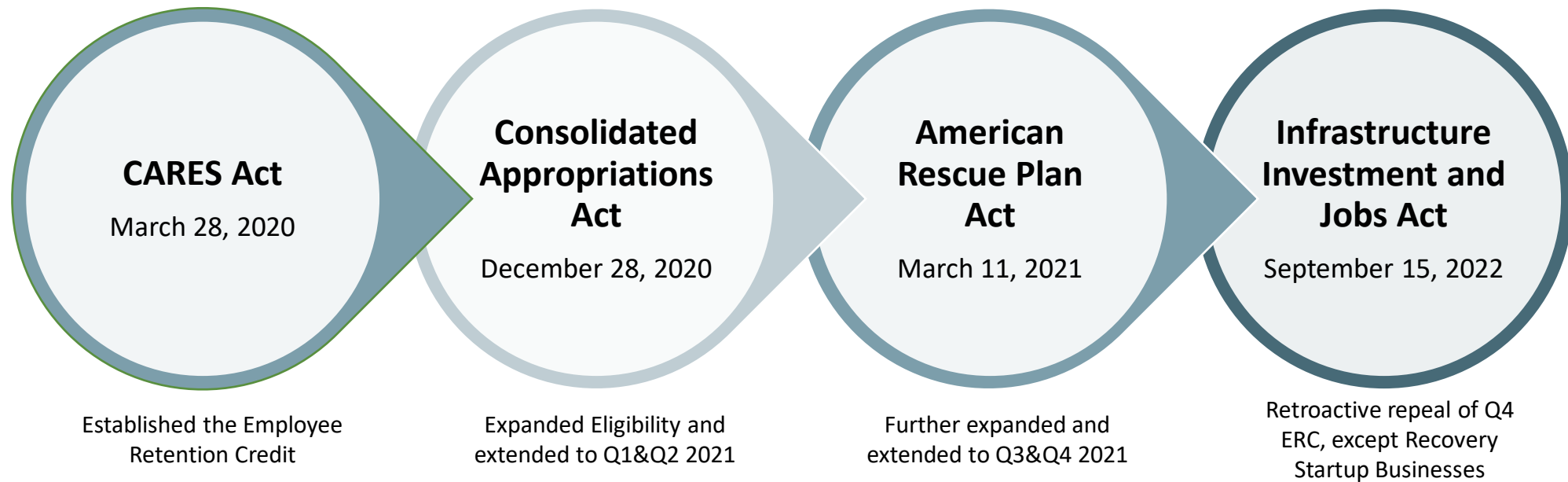
# Employee Retention Credit

COLE MARR, SPECIALTY TAX DIRECTOR & ARIANE WOODS, SPECIALTY TAX MANAGER

# Key Takeaways

- ERC Timeline
- Opportunity
- Who is eligible?
- What is eligible?
- Process

# ERC Timeline



# Opportunity

- Fully refundable payroll tax credit for eligible wages paid to employees during a qualifying period
- Claimed on Amended Quarterly Payroll Tax form 941-X
  - Originally claimed via the quarterly 941 Quarterly Payroll Tax filing
  - Income tax amendments needed for prior tax years with ERC claims

# ERC Overview

ERC OVERVIEW		2020	2021
Eligibility		The business is/was <b>fully or partially suspended</b> by government order <b>OR</b>	
		<b>50%</b> decline in gross receipts. <i>Established by comparing any quarter in 2019 to the same quarter of 2020.</i>	<b>20%</b> decline in gross receipts. <i>Established by comparing 2019 to the same quarter of 2021. Businesses may also elect to compare prior quarter to qualify for current quarter.</i>
Qualified wages*, include <u>all</u> wages if company has		<b>100</b> or fewer full-time employees**	<b>500</b> or fewer full-time employees**
Time period		March 12, 2020 – December 31, 2020	Q1,Q2, or Q3 2021
Maximum credit		<b>\$5,000</b> <u>per</u> employee, <u>per</u> calendar year <i>50% of up to \$10,000 in qualified wages.</i>	<b>\$7,000</b> <u>per</u> employee, <u>per</u> qualifying quarter. \$21,000 annual max per employee. <i>70% of up to \$10,000 in qualified wages.</i>

\*Qualified wages include direct compensation, health insurance expenses, and tips if reported on W2s. For furloughed employees, health insurance paid by employer can be included.

\*\*Full-time employees as of 2019.

Acquisitions/dispositions factored in to 2019 base. New locations do not impact base calculation.

# Opportunity

## 2020

- 50% of up to \$10,000 in qualified wages *per employee*
- Wages include direct compensation and health insurance expenses paid between **March 12, 2020 – December 31, 2020**

## 2021

- 70% of up to \$10,000 in qualified wages *per employee per qualifying quarter*
- Wages include direct compensation and health insurance expenses paid in Q1, Q2, and/or Q3 of 2021

# Eligibility – Who?

## 2020

- The business is fully or partially suspended by gov. order
- OR
- The business has a “significant” decline in gross receipts – **50%** or greater 2020 quarter to 2019 same quarter

## 2021

- The business is fully or partially suspended by gov. order
- OR
- The business has a “significant” decline in gross receipts – **20%** or greater 2021 quarter to 2019 same quarter
- May elect to compare prior quarter to qualify for current quarter



# Eligibility – What?

## 2020

- 100 or fewer full-time employees in 2019 – qualified wages paid to ALL employees
- More than 100 full-time employees in 2019 – qualified wages paid to employees for time not providing services during the impacted period

## 2021

- 500 or fewer full-time employees in 2019 – qualified wages paid to ALL employees
- More than 500 full-time employees in 2019 – qualified wages paid to employees for time not providing services during the impacted period



# Eligibility – Recovery Startup Business

- **Opportunity:** Business began operations after Feb. 15, 2020
  - May not be the same as incorporation date
- **Who:** All new businesses regardless of impacted status
  - Annualized revenue in the current or prior period must be under \$1M
- **What:** Up to \$50,000 credit in Q3 & Q4 2021
  - Calculated on consistent basis as all other businesses (70% of up to \$10,000 per employee per quarter)

# ERC Process



1. Determine if the company is an Eligible Employer



2. Determine if the company paid Qualified Wages



3. Calculate the credit amount on an employee-by-employee basis



4. Claim the credit through a refund using the payroll tax system

# Fun Facts

- Available to all companies regardless of size
- No requirement to prove specific harm or causal relationship
- Businesses receiving PPP funds that are forgiven *can* still claim ERC but **no double dipping!**
- Acquisitions/dispositions factored in to 2019 base, base calculation not adjusted for new or closed locations
- Tips are eligible wages when reported on W2
- Credit amounts from Q1 2020 are claimed via the Q2 2020 941-X

# Fun Facts

- Furloughed employees – health insurance paid by employer can be included
- Can amend for 5 years – opportunity extends through 2026
- Refunds are taking 5-8 months for IRS processing and you will get a paper check
- 2020 can't include same wages for ERC and Paid Family and Medical Leave or Work Opportunity credit
- 2021 can't include wages for ERC and sections 41, 45A, 45P, 45S, 51, and 1396 (generally potential wage double dipping)

# Fun Facts

- Limitations
  - Aggregation of gross receipts & employees required for common ownership
  - No credit to related party of owners – child, sibling, parent, in-law (all types), aunt, uncle, niece, nephew, any individual owning  $\geq 50\%$  value of outstanding stock
- Light on tax law – heavy on IRS FAQs, IRS guidance

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# Thank you!



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# Thank you



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