

COVID-19 BUSINESS SUPPORT

EMPLOYEE RETENTION CREDIT



ELIGIBILITY FOR BUSINESSES

Did you know that many small businesses can still claim thousands of dollars in 2020 tax relief based on COVID-related shutdowns and disruptions? If your business:

- Has fewer than 100 employees
- Was at least partly closed due to a government order OR your revenue declined significantly in 2020; AND
- You kept your employees on the payroll:

You may be eligible for 2020 employee retention tax credits of up to \$5,000 per employee.

What it is

Tax credits for businesses that keep employees on payroll

How it works

For 2020, the Employee Retention Credit (ERC) is a tax credit against certain payroll taxes, including an employer's share of social security taxes for wages paid between March 12, 2020 and December 31, 2020. The tax credit is 50% of the wages paid up to \$10,000 per employee, capped at \$5,000 per employee.

If the amount of the tax credit for an employer is more than the amount of the employer's share of social security tax owed, the excess is refunded – paid – directly to the employer.

To get started

If your business is eligible for the ERC for 2020 and you have not yet claimed the credit, you can file amended payroll tax forms to claim the credit and receive your tax refund.

For information about claiming these credits, visit <https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>

Please note that this document is a simplified description of the employee retention credit rules. Business owners should consult with their tax advisors regarding the specifics of their situation.



Overview & Rules

To see whether your business is eligible for the ERC, start by determining whether:

- (1) the business was fully or partially shut down due to a governmental order during any part of 2020, or
- (2) the business's gross receipts in any quarter of 2020 declined 50% or more relative to the same quarter of 2019.

If the answer to either question is YES, and the business had 100 or fewer employees, then any wages paid to any employee while the business was fully or partially shut down or during a quarter that it had a 50% decline in gross receipts may count towards the \$10,000 per employee amount.

Please note that you may be able to claim the ERC even if you received a PPP loan.

Employee Retention in 2021

In addition to claiming tax credits for 2020, small businesses should consider their eligibility for the ERC in 2021. The ERC is now available for all four quarters of 2021, up to \$7,000 per quarter. The level of qualifying business disruption has been reduced so that a 20% decline in gross receipts during a single quarter will make a business eligible, for a maximum yearly benefit of \$28,000 per employee.

If you keep your employees on the payroll this year, the 2021 ERC is even more generous.