

# Employee Retention Tax Credit

*Retool Your Small Biz Series*

September 22, 2022



*SBA Resource Partners:*



Small Business  
Development Center  
**UNIVERSITY OF GEORGIA**



# Gwinnett County Small Business Resource Partners



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**Small Business  
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# Meet The Gwinnett Small Business Resource Team

We Are Here to Help Small Businesses!



**Cally D'Angelo**

Vice President  
Small Business Initiatives  
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Small Business Development Center  
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# Housekeeping



## Chat?

Use the **Chat** function if you are experiencing issues during the presentation and to respond to/interact with facilitators when appropriate



## Questions?

Use the **Q & A** function to post your questions. We will be answering questions throughout the session and have dedicated Q&A time at the end.



## They're in the email

It's hard to listen, write, grab a bite to eat, slurp down coffee so we're going to send you the presentation when we're done, just give us about 24 hours.





# Retool Your Small Biz Series

- Reevaluate Your Business Plan

**August 23, 2022**

- Redefining Your Competitive Advantage

**August 30, 2022**

- **Employee Retention Tax Credit (ERTC)**

**September 22, 2022**






“

*“It ain’t over – ‘til it’s over.”*

Yogi Berra







# **Employee Retention Tax Credit (ERTC or aka ERC)**

**ERTC Overview**

**ERTC Eligibility**

**ERTC Qualifying Wages**

**Coordination with the  
Paycheck Protection Plan  
(PPP)**

**Claiming the ERTC**





# ERTC Overview

- Is a **refundable tax credit** that rewards businesses up to \$26,000 per employee
- It's objective was to reward and encourage businesses to keep their employees on payroll.
- It has evolved and expanded to give more relief to more employers







# Details of the ERTC

- Employers can get a credit against federal employment taxes on qualified wages paid to employees **from March 13, 2020 thru September 30, 2021**
- The ERTC has a maximum credit of:
  - **\$5000** per employee in 2020
  - **\$21,000** per employee in 2021
- Employers can **claim the credit retroactively** paid past quarters



# ERTC – Who is Eligible?

- Private businesses or tax-exemption organizations that conduct trade or business that experienced any of the following:
  - The business was **forced to partially or fully suspend or limit operations** due to a federal, state or local gov't order
  - The business experienced a **50% decline in gross receipts** during any quarter of 2020 versus the same quarter in 2019
  - And/or experienced a **20% decline in gross receipts** in 2021 versus the same quarter in 2019
  - **NOTE:** If you started your business in 2020, you will use 2020 as your comparison period for a tax credit in 2021



# ERTC – Who is Eligible? (con'td)

- A 'recovery business' is one that:
  - Started after February 15, 2020; and had less than \$1 million in annual revenue
  - They are eligible for Q3'21 and Q4'21 – but capped at \$50k for each quarter (can get a max of \$100k)
- 'Small Employers' can claim all employees' wages, but 'large employers' can only claim wages for those who couldn't provide services 'small employer cutoffs vary by year – there are no caps on eligible employees:
  - In 2020 – 100 employees is the small business cutoff
  - In 2021 – 500 employees is the small business cutoff





# ERTC – How do you Claim the Credit?

- To claim the credit retroactively, file **IRS Form 941-X**, Adjusted Employers' Quarterly Federal Tax Return
- The IRS allows a period up to **three years after the initial date of filing** your original Form 941 to adjust previous filings
- The date where you can claim ERTC began on March 13, 2020 – therefore, you can adjust filings made for Q1 2020 up to the date of that filing in 2023
- **THE ERTC WINDOW IS STILL WIDE OPEN!**



# DISCLAIMER AND RECOMMENDATIONS!

- The intent of this presentation is to define the ERTC and its key elements
- We can assist you in determining eligibility and a general idea of what you will qualify, however
- We STRONGLY recommend you speak with a CPA on how the ERTC will apply to your specific business
- Anyone with a number of employees should look into this!



# How to Calculate the ERTC

- **Step 1** – Determine your 2020 and 2021 qualifying quarters
  - Were you required to partially or fully suspend operations due to a governmental order; or
  - Did your business experience a quarterly gross receipts decrease of at least 50% in 2020 or 20% in 2021 compared to the same quarter in 2019
- **Note:** If you started your business in 2020 – you will use a corresponding quarter in that year to determine your 2021 reduction





# How to Calculate the ERTC (cont'd)

- **Step 2** – Determine the total qualified wages, including qualified health plan expenses paid to each employee per quarter.
  - **Note:** You cannot use any wages you claimed toward PPP forgiveness as qualified wages
- **Step 3** – Calculate wages paid to each employee in 2020 beginning March 13, 2020 thru December 31, 2020 up to \$10,000. Multiply those wages (net of PPP forgiveness) by 50% to determine your ERTC
- **Step 4** – Calculate wages paid to each employee in Q1, Q2 and Q3 in 2021 up \$10,000 per quarter. Multiply the qualified wages by 70% to determine your credit for each quarter in 2021.



# ERTC Eligibility – Two Ways to Qualify

- A business that was fully or partially suspended due to orders from the Federal, State or Local government limiting commerce, travel or group meetings due to COVID-19
- A business that experienced significant decline in gross receipts during any quarter defined as:
  - In 2020 – gross receipts declined by at least **50%** in a quarter as compared to the same calendar quarter in 2019
  - In 2021 – gross receipts declined by at least **20%** for the same calendar quarter in 2019



# Example

Gross Receipts	Q1	Q2	Q3	Q4
2019	\$950,000	\$1,250,000	\$1,500,000	\$1,750,000
2020	\$997,500	\$425,000	\$1,155,000	\$1,837,500
% Change	5.00%	-66%	-23%	5.00%

Eligibility continues until the first day of the quarter after the quarter that gross receipts rebounds to >80% of gross receipts in the corresponding quarter in 2019. This means if you qualify in one quarter – you automatically qualify for the next quarter until you surpass the 80% gross receipts test.

In this case – Q2, Q3 and Q4 will qualify





# Full or Partial Suspensions in Operations

- A business that was fully or partially suspended due to orders from the Federal, State or Local government limiting commerce, travel or group meetings due to COVID-19
- Applies if an **appropriate government authority** imposes restrictions on the business's operations so that:
  - The business must cease all operations; or
  - The business can continue to operate with some, but not all of its normal operations
- The partial operations must impact more than a 'Nominal Portion' its normal operations



# Order from an Appropriate Government Authority

Orders, proclamations, or decrees from the Federal, State or Local government **limiting commerce, travel or group meetings due to COVID-19**

- Government Orders Include:
  - An order from the city's mayor stating that all non-essential businesses must close for a specified period;
  - An emergency proclamation that residents must shelter in place except employees of essential businesses;
  - An order imposing a curfew on residents that impacts the operating hours of a trade or business; and
  - An order mandating a workplace closure for cleaning and disinfecting





# Supply Chain Disruption

To claim a supplier disruption you must consider relevant facts and circumstances

These Include:

1. The supplier's ability to make deliveries of critical goods due to a governmental order;
2. The employer's ability to purchase critical goods from an alternative supplier; and
3. The consequence on the business due to the inability to purchase critical goods

All three relevant facts must exist to claim a full or partial suspension of operations





# ERTC Qualifying Wages

Qualified Wages may include the employee's and employer's qualified health plan expenses that are properly allocable to wages



2020



2021

For qualified wages paid between **March 13, 2020 and December 31, 2020** (subject to eligibility for ERTC)

For qualified wages paid between **January 1, 2021 and September 30, 2021** (subject to eligibility for ERTC)




# Restrictions on Qualifying Wages

An employer may not use the same wages to make an ERTC claim and:

- Families First Coronavirus Response Act (FFCRA) or American Rescue Plan Act of 2021 Leave Credits
- Work Opportunity Tax Credits (WOTC)
- Wages claimed on PPP Loan Forgiveness Applications

You cannot claim ERTC for wages paid to a majority owner or that owner's spouse, nor their brother or sister.





# ERTC Coordination with the Paycheck Protection Program (PPP)

- Maximize nonpayroll costs when applying for PPP forgiveness (only 60% of PPP must be used on payroll)
- Extend your PPP covered period to maximize nonpayroll and owner and relative compensation
- When calculating gross receipts, DO NOT include any stimulus funds such as PPP, EIDL, grants, etc
- Final reminder – you can't claim ERTC for wages paid with PPP or FFCRA (COVID sick leave)



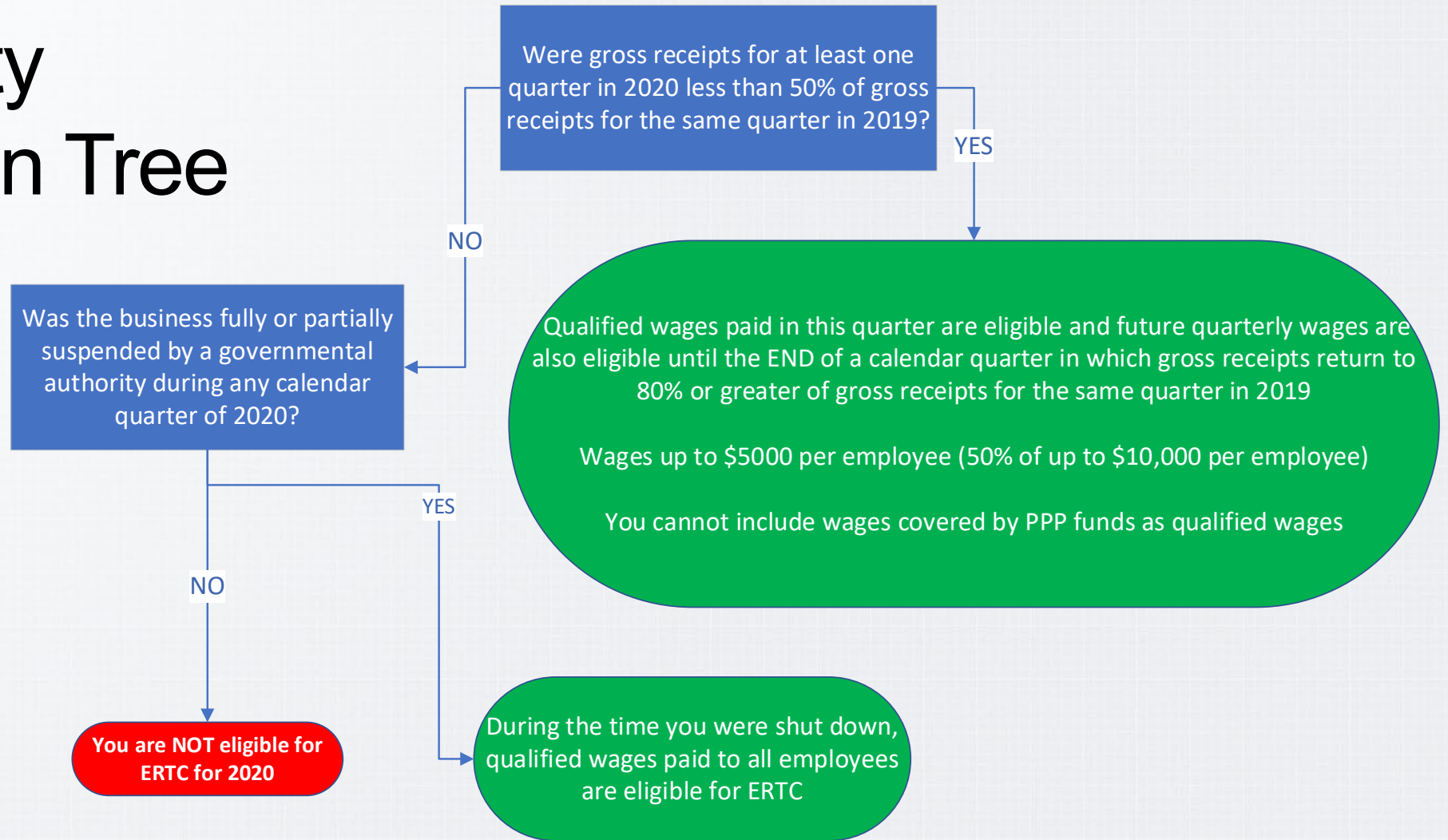
# Claiming the ERTC

- First – it is a payroll tax credit
- You will need to amend previously filed **Form 941s** (these are the payroll reports filed by your payroll provider or CPA)
- Form **941X** is what you file to modify your previously filed **Form 941**
- The ERTC claim will include **qualified wages and healthcare costs**

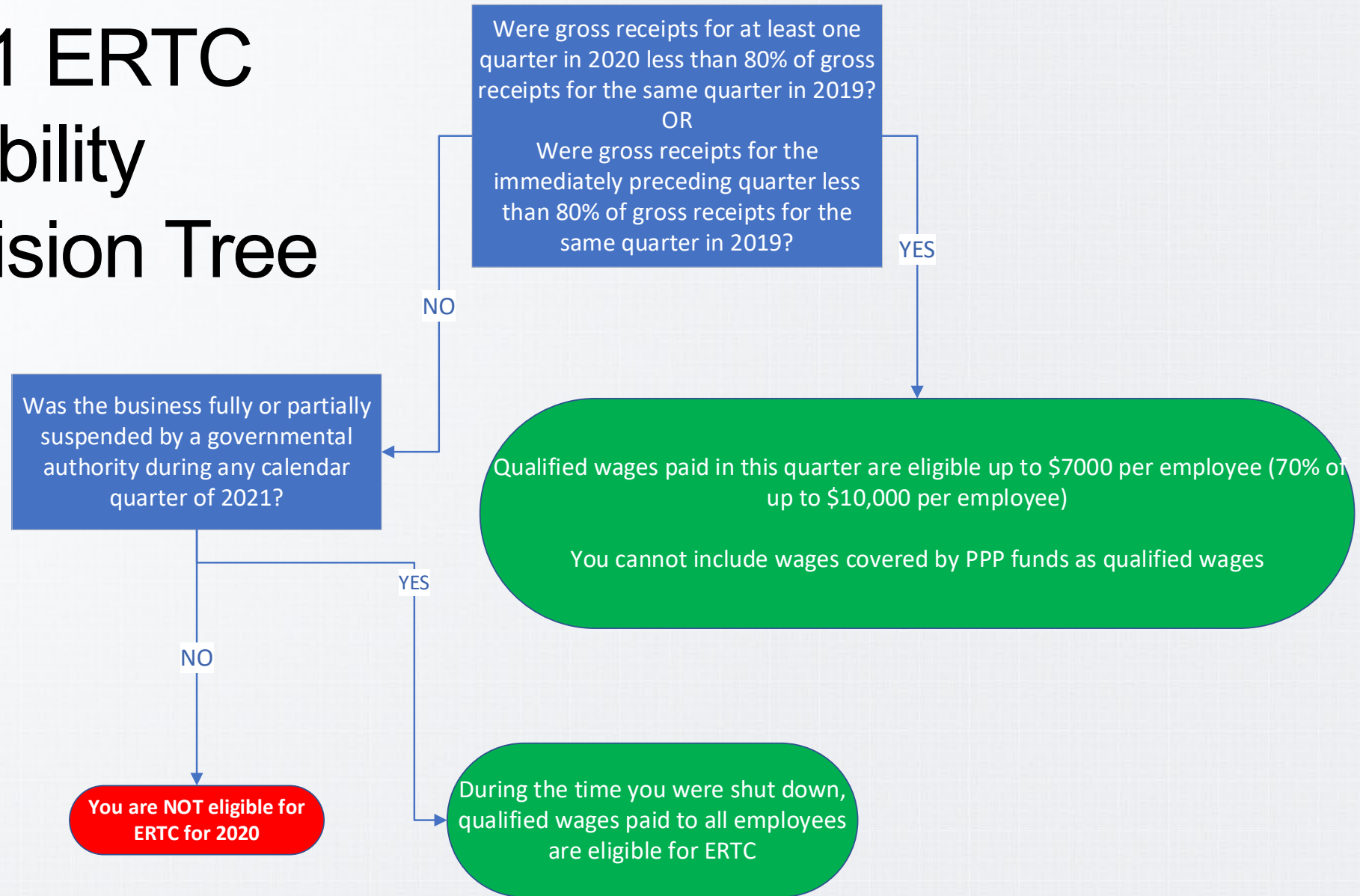




# 2020 ERTC Eligibility Decision Tree



# 2021 ERTC Eligibility Decision Tree



# IRS Resources You Can Access

- ERTC 2020 vs 2021 Comparison Chart  
<https://www.irs.gov/newsroom/employee-retention-credit-2020-vs-2021-comparison-chart>
- Employee Retention Credit FAQs:  
<https://www.irs.gov/newsroom/covid-19-related-employee-retention-credits-how-to-claim-the-employee-retention-credit-faqs>

**NOTE:** The FAQs are not an IRS Revenue Bulletin and cannot be relied upon for a claim. See the insert to get the current bulletins at the top of the FAQs web page





Questions?



# THANK YOU!

See you next Tuesday!



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