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Understanding Eligibility Changes to the Employee Retention Credit

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Date
February 25, 2021

Employee Retention Credit Understanding Eligibility Changes

... Employee Retention Credit - Timeline

- March 27, 2020 – Section 2301 of the CARES Act
 - Introduced credit based on wages paid from March 12, 2020 – December 31, 2020
- April 29, 2020 – IRS Releases Guidance through Frequently Asked Questions (FAQs)
 - Not updated for changes
- December 27, 2020 – Extension and Enhancement in the Taxpayer Certainty and Disaster Relief Act
 - Increased Availability of 2020 Credit
 - Extended and Increased the Credit on wages paid January 1, 2021 – June 30, 2021

... Employee Retention Credit – How Much?

2020

- 50% of Qualified Wages
- Maximum \$10,000 of Qualified Wages per employee
- \$5,000 maximum credit per employee from March 12, 2020 through December 31, 2020

2021

- 70% of Qualified Wages
- Maximum \$10,000 of Qualified Wages per employee
- \$7,000 maximum credit per employee/per quarter (up to \$14,000 credit per employee)

... Employee Retention Credit – Who is eligible?

2020

- Employer that experienced:
- Full or partial suspension of operation due to government order
- A significant decline in gross receipts – 50% reduction in revenues

2021

- Employer that experienced:
- Full or partial suspension of operation due to government order
- A significant decline in gross receipts – 20% reduction in revenues

... Employee Retention Credit – Who is eligible?

- Full or Partial Suspension of Business
 - Government order, proclamation or decree
 - Forced closure of non-essential businesses
 - Shelter in place order
 - Curfews on residents that impacts hours of operation
 - Mandatory closure for cleaning and disinfecting

... Employee Retention Credit – Who is eligible?

- Partial Suspension of Essential Businesses
 - More than “nominal” portion of business suspended by government order
 - Supply Chain interruption
 - Customers required to stay home (No partial suspension)
 - Office closure with continued operations (No partial suspension)
 - Reduction of operating hours
 - Multiple locations
 - Aggregated Group

... Employee Retention Credit – Who is eligible?

Significant Decline in Gross Receipts

2020

- Period begins with calendar quarter with 50% revenue reduction (2020 compared to 2019)
- Period ends with calendar quarter with revenue reduction of less than 20%

2021

- Period begins with calendar quarter with 20% revenue reduction (2021 compared to 2019)
- Preceding Quarter can be used

... Employee Retention Credit – Qualified Wages

2020

- Large Employer (over 100 employees) – only wages paid to employees not performing services
- Small Employers – all wages paid during qualifying periods

2021

- Large Employer (over 500 employees) – only wages paid to employees not performing services
- Small Employers – all wages paid during qualifying periods

... Employee Retention Credit – Qualified Wages

- Coordination with Other Benefits
 - Paycheck Protection Program (PPP) Loans
 - Families First Coronavirus Response Act (FFCRA) Employer Paid Leave Credits
 - Other Tax Credits with Wage Base
 - R&D Credit
 - Empowerment Zone Wage Credit
 - Work Opportunity Credit

... Employee Retention Credit – How to Claim the Credit

- File an Amended Form 941
- Claim on current Form 941 for eligible periods
- Reduce Payroll Tax Deposits
- Request an Advance Payment of the credit on Form 7200

... Additional Benefits of Consolidated Appropriations Act (December 27, 2020)

- Paycheck Protection Program Loans
 - Clarification of Tax Treatment
 - Second Draw Loans
 - 300 or fewer employees
 - Used entire proceeds of first draw loan
 - 25% Gross Revenue Reduction for any calendar quarter
 - March 31st Application Deadline
 - Based on 2.5x average monthly payroll (\$2 million maximum loan amount)
 - 3.5x for restaurants and hotels
 - Additional Costs eligible for Forgiveness

••• Additional Benefits of Consolidated Appropriations Act (December 27, 2020)

- Paycheck Protection Program Loans
 - Loan Forgiveness Changes
 - Covered Period between 8 and 24 weeks
 - Payroll, Rent, Mortgage Interest, Utilities
 - Additional Covered Costs include worker protection, supplier costs, operations expenditures, property damage
 - 60% of loan proceeds must be used for payroll costs
 - Simplified forgiveness for loans under \$150,000
 - EIDL Advance no longer reduces forgiveness

••• Additional Benefits of Consolidated Appropriations Act (December 27, 2020)

- Paid Sick and Family Leave Credits
 - Extended Through March 18, 2021
 - Mandatory Wages Paid to employees who are out for:
 - Government quarantine
 - Health Care provider recommended quarantine
 - Covid-19 symptoms
 - Caring for an individual who is quarantined
 - Caring for a child if school or daycare is unavailable due to COVID-19 precautions
 - Any other substantially similar condition

Questions



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