

EMPLOYEE RETENTION CREDIT



GOVERNMENT TAX CREDITS

In order to provide economic relief to businesses and individuals during the Coronavirus pandemic, the CARES (Coronavirus Aid, Relief and Economic Security) Act was signed into law in March 2020.

This \$370 billion stimulus package makes funding available to small companies, which can be used to allow certain employers who retain employees during the crisis, to claim a tax credit. This tax credit is known as the Employee Retention Credit (ERC).

ABOUT THE CREDIT

The ERC allows eligible employers to claim a credit against 50% of wages paid per quarter, up to \$10,000 per employee annually, for wages paid between March 13, 2020 – December 31, 2020. The maximum credit is \$5,000 per employee.

In December of 2020, under the Covid-19 Relief Package, the ERC was extended from January 1, 2021 – December 31, 2021. This extension allows eligible employers to claim a credit against 70% of wages paid per quarter, up to \$10,000 per employee, with a maximum allowable credit of \$28,000 per employee.

WHO QUALIFIES? HOW?

There are two ways that a business can qualify :

1. Full or partial suspension of business operations as a result of government order
2. A significant decline in revenue compared to the same quarter in 2019.

Decline in revenue is defined as equal or greater than 50% for 2020 and equal or greater than 20% for 2021.



HOW DO ELIGIBLE EMPLOYERS OBTAIN THEIR ERC?

Tax Strategy Pro and AIA will review the relevant financial records to calculate the dollar amount of the eligible employer's expected credit. AIA will then complete and file the relevant IRS forms for the employer and retain all necessary documentation.

ARE THERE ANY COSTS?

Contingency of 20% - only when employer qualifies and tax work is completed.

CARES ACT	COVID-19 RELIEF PACKAGE
All wages paid between March 13, 2020 and December 31, 2020	Beginning on January 1, 2021 and through December 31, 2021
Payroll tax credit rate - 50 percent of Qualified	Payroll tax credit rate - 70 percent of Qualified
Limit on per-employee creditable wages - \$10,000 for the year	Limit on per-employee creditable wages - \$10,000 for each quarter
Eligibility for the credit - reduction of gross receipts by at least 50 percent of the comparable quarter in 2019	Eligibility for the credit - threshold drops to 20 percent. Safe harbor allows employers to use prior quarter gross receipts to determine eligibility
100-employee delineation for determining the relevant qualified wage base (<i>i.e. all wages paid to employees are available for the credit up to the cap</i>)	500-employee delineation for determining the relevant qualified wage base
Ineligible for ERC if you take a Paycheck Protection Program loan	Employers who receive PPP loans may still qualify for the ERC with respect to wages that are not paid for with forgiven PPP proceeds retroactive to the CARES Act
Wage qualification is based on the average number of employees the business employed in 2019	Allows new employers who were not in existence for all or part of 2019 to be able to claim the credit. This new provision is retroactive to the effective date included in Section 2301 of the CARES Act