

The Employee Retention Tax Credit Could be Very Valuable to Restaurant Operators

One Boston operator discusses the value of the ERTC provision that Congress recently enhanced in the stimulus bill.

"A tremendous amount of attention has been focused on the forgivable loans from the PPP program, it will surely be a lifesaver for my business. But when I looked at the EMPLOYEE RETENTION TAX CREDIT, I discovered that I can recover \$19,000 in tax refunds. This is based on 50% of 8 weeks of payroll, \$38,000, that I paid my staff in 2020 that I did not get funded and forgiven by PPP funds. I had 2 weekly payrolls in March after 3/12 and before I had to lay everyone off due to the shutdown ordered on 3/16, and then 6 more weekly payrolls after the PPP money had run out in November before the end of 2020. The program continues in 2021, and it gets even better."

The specifics:

Expansion of Employee Retention Tax Credit (ERTC)

To be eligible for the employee retention tax credit a business must be fully or partially suspended due to an order from a governmental authority limiting travel, commerce or meetings during the applicable calendar year OR suffer a significant decline in gross receipts (50% or 20% decline depending on time period) during a calendar quarter when compared to the same quarter during the previous year.

The new Act now allows use of BOTH the PPP and the ERTC as long as wages that are paid with forgiven PPP proceeds are not used for the ERTC calculation (no double dipping).

For the periods March 12, 2020 thru December 31, 2020, businesses can go back and amend their quarterly tax returns to claim the ERTC credit. To qualify during this period the business must EITHER experience:

- the full or partial suspension of the operation of their trade or business during any calendar quarter because of governmental orders limiting commerce, travel, or group meetings due to COVID-19**

OR

- gross receipts declined by more than 50 percent when compared to the same quarter in the prior year.

The Act also extends the availability of the ERTC to qualified wages paid through June 30, 2021. It was set to expire with wages paid after December 31, 2020 and now includes enhanced provisions to include more businesses.

For the periods January 1, 2021 thru June 30, 2021 they have expanded/loosened the qualification criteria:

- An increase in the credit rate from 50% to 70% of qualified wages and increase in the limit on per employee creditable wages from \$10,000 for the year to \$10,000 for each quarter; for max of \$7k per employee per quarter (so max of \$14k per employee)
- A reduction in the required year-over-year gross receipts decline from 50% to 20%;
- A safe harbor allowing employers to use prior-quarter gross receipts to determine eligibility.
- An increase from 100 to 500 in the number of employees counted when determining the relevant qualified wage base; and
- Rules allowing new employers who were not in existence for all or part of 2019 to be able to claim the credit. Group health care plan expenses can also be treated as qualified wages.

These tax credits do take some work and an investment of time. If you would prefer to partner with a company to this for you, EF Cost Recovery can take this off of your plate. Click [here](#) for the form from EF Cost Recovery.