



Employee Retention Credit

The Employee Retention Credit is a federal payroll tax credit that encourages businesses financially impacted by COVID-19 to keep employees on their payroll.

For 2020, the refundable tax credit is 50% of qualified wages up to \$10,000. For 2021, the credit is 70% of qualified wages up to \$10,000.

The maximum credit is \$5,000 per employee in 2020 and \$7,000 per employee per quarter in 2021. The ERC applies to qualified wages paid after March 12, 2020 and before December 31, 2021.

Eligible Employer

Eligible employers that are entitled to claim the Employee Retention Credit are private-sector businesses and tax-exempt organizations that carry on a trade or business, and either:

- Have operations that were fully or partially suspended due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19; **or**
- Experienced a significant decline in gross receipts during the calendar quarter. A significant decline means gross receipts for a calendar quarter in 2020 are less than 50 percent of gross receipts for the same calendar quarter in 2019. For 2021, a significant decline means gross receipts for a calendar quarter in 2021 are less than 80% of gross receipts for the same calendar quarter in 2019. For 2021, there is also a safe harbor election under which some companies may qualify.

Employers who received a Small Business Interruption Loan under the Paycheck Protection Program under the CARES Act are now eligible for the Employee Retention Credit retroactive to March 13, 2020.



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Next Steps

In 2020, many companies did not consider the ERC because PPP loan recipients were ineligible for it. Now, with the change in eligibility requirements, the ERC may provide companies with an opportunity to conserve cash and help keep their businesses running.

GBQ provides the following ERC services to yield maximum benefits:



Determining and documenting ERC eligibility



Quarterly calculation of the ERC



Preparation and review of Forms 941-X



Credit maximization planning in conjunction with our PPP loan debt forgiveness team



General ERC consulting



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