

Before you take any action or complete/submit any tax forms or documents, we strongly advise that you consult with your accountant or attorney.

Employee Retention Tax Credit

While much of the information on the CARES Act has focused on the [Paycheck Protection Program \(PPP\)](#) and [Economic Injury Disaster Loans \(EIDL\)](#), another provision in the Act created a new [Employee Retention Tax Credit \(ERTC\)](#) which may be of interest to some businesses and employers.

The ERTC is a fully refundable tax credit, designed to help businesses of all sizes keep their employees on payroll when they have been forced to close, partially close, or are experiencing significant revenue loss as a result of COVID-19. While employers who have received a PPP loan are not eligible to claim the ERTC, it may be an option for some businesses who have been unable to obtain or have decided not to apply for the PPP.

Who is eligible?

Private employers, including nonprofits, that:

- Have operations partially or fully suspended as a result of orders from a governmental authority as a result of COVID-19 or,
- Experience a decline in gross receipts by more than 50% in a quarter compared to the same quarter in 2019.

Note: Employers who receive a Paycheck Protection Program (PPP) loan are not eligible for the ERTC.

How much is the Tax Credit?

The ERTC is a 50% tax credit for the first \$10,000 of compensation, including the employer portion of health benefits, for each eligible employee.

Note: Compensation does not include paid sick or family leave. The credit only applies to wages paid after March 12, 2020 and before January 1, 2021.

What is an “Eligible Employee”?

- For employers with more than 100 employees: Full-time employees who are being paid but not providing a service due to either a full or partial shutdown or a reduction in gross receipts count toward eligibility.
- For employers with 100 or fewer full-time employees: All employees, regardless of whether those employees are providing service, count toward eligibility.

How is the credit paid?

The ERTC provides eligible employers with a tax credit that is allowed to off-set certain payroll taxes. The credit is refundable, which means that eligible employers may receive payment for the portion of the credit that exceeds certain employment taxes that are due.

In anticipation of receiving the ERTC, eligible employers can reduce their federal employment tax deposits. Eligible employers may also request an advance payment of the ERTC for any amounts not covered by the reduction in deposits.

Claiming the Credit:

In order to claim the new Employee Retention Credit, eligible employers will need to report their total qualified wages and the related health insurance costs for each quarter on their quarterly employment tax returns, which will be [IRS Form 941](#) for most employers, beginning with the second quarter. Eligible employers can also request an advance of the Employee Retention Credit by submitting [Form 7200](#).

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For more information on the ERTC, including how to claim the credit, click [here](#).

FAQs on the ERTC, click [here](#).