

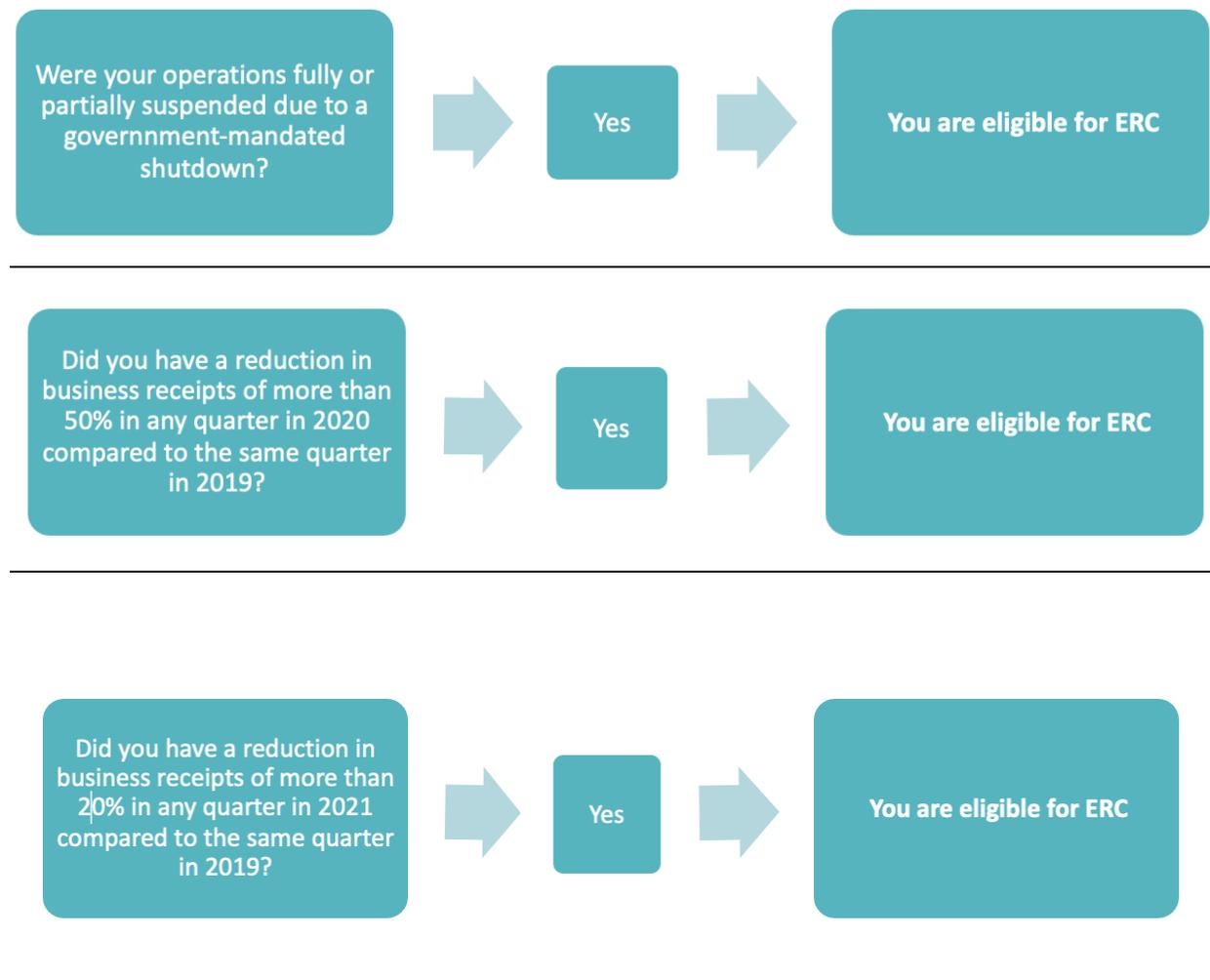


# EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC) is a refundable tax credit against certain employment taxes.

The credit is claimed on the Employer's **quarterly** Federal Tax Return, Form 941.

## Do You Qualify?





- Was your business operation suspended due to a government-mandated shutdown? Yes No
- Were your gross receipts in any quarter of 2020 less than 50% of gross receipts in the same quarter of 2019? Yes No
- Were your gross receipts in any quarter of 2021 less than 80% of gross receipts in the same quarter of 2019? Yes No

If your answer to any one of these questions is yes, you may be eligible for ERC.

Did you receive a PPP loan in **2020 or 2021**?

You cannot claim ERC credits on payroll costs covered by the PPP loan. If you have not yet spent the funds from your PPP loan, you can maximize benefits by spending 60% of the loan proceeds on payroll (the minimum to qualify for loan forgiveness) and 40% on other non-payroll qualifying expenses (rent, utilities, etc.).

For example: A business received a \$100,000 PPP loan. During the loan period, the business had \$90,000 in payroll costs and \$50,000 in qualifying non-payroll costs. The business spent \$60,000 (60% of loan) on payroll and \$40,000 on qualified non-payroll expenses. The \$30,000 amount of \$30,000 not spent on payroll (\$90,000 - \$60,000) are eligible for ERC.

**You are responsible for determining your eligibility. If PayPlus is completing the ERC application for you and it becomes evident that you are not eligible for ERC, you are still liable for the processing fee.**



## ERC Guidelines

The CARES Act of 2020 established the Employee Retention Credit. The Consolidated Appropriations Act of 2021 made some changes. As a result, different rules apply for 2020 and 2021 ERC eligibility and credits.

| <b>Guideline</b>   | <b>2020</b>  | <b>2021</b>   |
|--|--|---|
| Eligibility due to government-mandated shutdown  | Business operation fully or partially suspended  | Business operation fully or partially suspended   |
| Eligibility due to significant decline in gross receipts   | Gross receipts for a quarter are less than 50% of receipts in same quarter of 2019   | Gross receipts for a quarter are less than 80% of receipts in same quarter of 2019  |
| Effective dates  | March 13, 2020 to December 31, 2020  | December 31, 2020 to June 30, 2021  |
| Interaction with PPP Loans   | A business was ineligible for the ERC if they had not received a Paycheck Protection Program (PPP) Loan. New law removes 2020 PPP loans as disqualifier, as long as payroll identified for the ERC was not paid out of PPP funds | A business may take advantage of both the PPP and the ERC as long as the payroll identified for the ERC was not paid out of PPP funds |
| Qualified wages per employee   | Maximum \$10,000 per quarter per employee  | Maximum \$10,000 per quarter per employee   |
| Maximum credit allowed per employee (paid per quarter)   | 50% of wages, maximum \$5,000 per employee, per year   | 70% of wages, maximum \$7,000 per employee, per quarter   |
| Business size where limits apply   | More than 100 employees (Businesses with fewer than 100 employees can claim credits for all employees)   | More than 500 employees   |
| Family members' wages qualify for ERC  | No   | No  |
| Business owner's wages qualify for ERC   | No   | No  |
| Health Plan Expenses paid by the employer on behalf of employees and health care expenses paid with employees' pre-tax salary reduction contributions. | Yes  | Yes   |



## **Restriction on Number of Employees**

For employers with 100 or fewer employees all wages may be considered in calculating the credit. For companies with over 100 employees the rules get more restrictive and only wages paid to employees who were not providing services are eligible for the credit.

## **Restriction on Wages Paid to Family Members**

Wages paid to related individuals are excluded for purposes of the ERC. A related individual is any employee that has any of the following relationships with the Employer:

- A child or descendant of a child
- A brother, sister, stepbrother, stepsister
- The father or mother, or an ancestor of either
- A stepfather or stepmother
- A niece or nephew
- An aunt or uncle
- Son/daughter in law, father/mother-in-law, brother/sister-in-law

For corporations this applies to anyone directly or indirectly owning more than 50% of outstanding stock. For eligible employers other than a corporation, the exclusion applies to anyone directly or indirectly owning more than 50% of the capital and profits of the entity.



## EMPLOYEE RETENTION CREDIT REQUEST FOR 2020 and/or 2021

Company Name: \_\_\_\_\_

Your Name: \_\_\_\_\_

### Eligibility

Please check the appropriate box(es) to indicate which situation is applicable to your trade or business and provide the supporting information required:

- 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. Please provide dates during which your business was suspended:*

\_\_\_\_\_

- Significant decline in gross receipts.*

Please indicate your gross receipts for each period of 2019, 2020, and 2021 and initial each line:

| Quarter | 2019 Gross Receipts | 2020 Gross Receipts | Initial |
|---------|---------------------|---------------------|---------|
| 1       | \$                  | \$                  |         |
| 2       | \$                  | \$                  |         |
| 3       | \$                  | \$                  |         |
| 4       | \$                  | \$                  |         |



| Quarter | 2019 Gross Receipts | 2021 Gross Receipts | Initial |
|---------|---------------------|---------------------|---------|
| 1       | \$                  | \$                  |         |
| 2       | \$                  | \$                  |         |
| 3       | \$                  | \$                  |         |
| 4       | \$                  | \$                  |         |

### PPP Loan Information

Did you get a PPP loan in **2020**?

Loan amount: \_\_\_\_\_

Date you received the loan: \_\_\_\_\_

Have you applied for loan forgiveness? Yes No

Was your loan forgiveness application approved? Yes No

If yes, please enter the amount forgiven for each:

Payroll Expenses \_\_\_\_\_ Other Qualifying Expenses \_\_\_\_\_

Did you get a PPP loan in **2021**?

Loan amount: \_\_\_\_\_

Date you received the loan: \_\_\_\_\_

What percent of your loan did/will you spend on payroll? \_\_\_\_\_



## Number of Employees

Average FT/FTE Employee Count 2019 \_\_\_\_\_

Average FT/FTE Employee Count 2020 \_\_\_\_\_

Average FT/FTE Employee Count 2021 \_\_\_\_\_

## Family Members

Are there family members on payroll? \_\_\_\_\_

If yes, please list their names (attach additional pages if necessary)

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## Health Insurance Expenses

Does the company pay health Insurance expenses? \_\_\_\_\_

If yes, please submit a spreadsheet showing the company paid portion of the health insurance. Do **not** include amounts deducted from employee wages through payroll.

Are these expenses paid with employees' pre-tax salary deductions?    YES    NO



## Agreement

Read and initial each line to consent for filing:

\_\_\_\_\_ I confirm I am an officer or member of this entity, and have the power vested in me to make legal and financial decisions for this entity.

\_\_\_\_\_ All information provided in this request is true to the best of my knowledge and I have the documentation to prove it. I will maintain this documentation for a minimum of 4 years after the date the tax becomes due or is paid, whichever comes later.

\_\_\_\_\_ I authorize PayPlus LLC to file the necessary tax returns and/or documentation to claim this credit on behalf of this entity.

\_\_\_\_\_ I acknowledge the fee for this service is \$500 per quarter and I authorize PayPlus LLC to debit my bank account.

\_\_\_\_\_ I acknowledge that I am fully responsible for determining whether my business qualifies for ERC. If during the course of preparing the ERC application, it is determined that I am not eligible for ERC, I am still liable for the service fee.

\_\_\_\_\_ I acknowledge that the approval of the ERC application and repayment of tax credits is at the sole discretion of the Internal Revenue Service (IRS) and not PayPlus LLC.

\_\_\_\_\_ I acknowledge that while PayPlus LLC is monitoring IRS regulations regarding ERC, PayPlus LLC is not responsible for changes made by the IRS to the ERC application and approval process.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Your Name

\_\_\_\_\_  
Company Name