

Fast Facts – Employee Retention Credit (ERC)

Did you know that your company may be eligible for the ERC tax credit?

What is the ERC?

The ERC (Employee Retention Credit) is a federal tax credit available to eligible employers.

What period of time does the ERC cover?

The ERC was signed into law as part of the CARES Act for wages paid between March 13, 2020 and January 1, 2021. The ERC was extended through June 30, 2021 when the Consolidated Appropriations Act 2021 was signed on December 27, 2020 and it was further expanded and extended through December 31, 2021 when the American Rescue Plan Act (ARPA) was signed on March 11, 2021. When the Infrastructure Investment and Jobs Act (IIJA) was signed on November 15, 2021, the ERC was retroactively ended on September 30, 2021. **Officially, the ERC credit period is for wages paid between March 13, 2020 through September 30, 2021.**

How much of a credit can eligible employers receive?

- **2020** – For 2020, eligible employers can receive a payroll tax credit equal to 50% of \$10,000 in qualifying wages paid between March 12, 2020 and December 31, 2020, **resulting in a \$5,000 tax credit per employee**
- **2021** – For 2021, eligible employers can receive a payroll tax credit equal to 70% of \$10,000 in qualifying wages paid **per quarter** between January 1, 2021 and September 30, 2021, **resulting in a \$7,000 tax credit per employee, per quarter (a total of \$21,000 per employee for 2021)**
- **Recovery Startup Businesses** – New businesses are eligible to apply for the ERC tax credits for a **maximum credit of \$50,000 per quarter for each of the 3rd and 4th quarters in 2021**

Are the rules of ERC different for wages paid in 2020 and 2021?

Yes. There were a number of changes to rules of the program and some changes apply only to 2021 while others apply to both 2020 and 2021. The most significant changes were:

- **For 2021, the credit for eligible employers on qualified wages can be as high as \$21,000 per employee (\$7,000 for each 1st, 2nd and 3rd quarter in 2021)**
- The law now permits eligible employers to take the ERC **even if they received a PPP loan**, and credits can be taken retroactively for wages paid after March 12, 2020.
- The qualifying wage base has been increased from \$10,000 **per year** to \$10,000 **per quarter**
- The credit was expanded from 50% of qualified wages to **70% of qualified wages**
- The gross receipts test has changed from at least a 50% decline in gross receipts to a **20% decline in gross receipts**
- The 100 full-time employee threshold for determining qualified wages has increased from 100 employees to **500 employees**.
- Eligibility has expanded to include additional types of employers such as public universities, medical care providers and new employers not in existence in 2019



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Comparison Chart – ERC 2020 and ERC 2021

	2020 ERC	Changes to ERC in 2021
Effective Dates	March 13 – December 31, 2020	January 1 – September 30, 2021
Eligibility	Employers who are required to fully or partially suspend operations due to COVID; or have a decline in gross receipts of at least 50% when compared to the same quarter in 2019	Employers who are required to fully or partially suspend operations due to COVID; or have a decline in gross receipts of at least 20% when compared to either the same quarter in 2019 or to the prior calendar quarter (if using the alternative method)
Employee Threshold	Employers with more than 100 EE's: Wages paid for services not provided. <u>Employers with 100 or less</u> : All qualified wages are credit eligible	Employers with more than 500 EE's: Wages paid for services not provided. <u>Employers with 500 or less</u> : All qualified wages are credit eligible
Qualified Wage Base per Employee	\$10,000 for the year	\$10,000 per quarter
Credit	50% of qualified wages	70% of qualified wages
Maximum ERC Credit	\$5,000 total credit (per employee) in 2020	\$7,000 per quarter, \$21,000 total credit (per employee) in 2021
Combination with Other Tax Credits	Employers receiving PPP loans were excluded from the ERC program. Credits taken for FFCRA, WOTC, FMLA, and any ERC-Coordinated or COVID relief programs are excluded from the calculation of ERC.	Employers that received PPP loans are no longer excluded from the ERC program. Employers can claim the ERC for qualified wages that are not treated as payroll costs in obtaining forgiveness of the PPP loan. The other restrictions from 2020 still apply.
New for 3Q and 4Q2021 Only		<u>Recovery Start Up Business (RSB) Provision</u> An RSB is a new business that began after Feb. 15, 2020 and meets other rules established by the IRS. RSB's are eligible to apply for ERC up to a maximum of \$50,000/quarter for each 3Q and 4Q2021.

To determine if your company is eligible:

<https://www.irs.gov/newsroom/covid-19-related-employee-retention-credits-determining-which-employers-are-eligible-to-claim-the-employee-retention-credit-faqs>

For 2020 Information:

<https://www.irs.gov/newsroom/new-employee-retention-credit-helps-employers-keep-employees-on-payroll>

For 2021 information:

<https://www.irs.gov/newsroom/new-law-extends-covid-tax-credit-for-employers-who-keep-workers-on-payroll>

FAQ's and more:

<https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>

[COVID-19-Related Employee Retention Credits: General Information FAQs | Internal Revenue Service \(irs.gov\)](https://www.irs.gov/newsroom/covid-19-related-employee-retention-credits-general-information-faqs)

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