

## THE EMPLOYEE RETENTION TAX CREDIT

|                           | 2020   | 2021  |
|---------------------------|--|---|
| <b>Availability</b>       | The Consolidated Appropriates Act retroactively allows PPP recipients to receive the ERC. The ERC applies with respect to qualified wages paid by eligible employers after March 12, 2020 and before January 1, 2021.  | The credit was extended through December 31, 2021, but with the passage of the Infrastructure bill, it terminated early so that it is not available on wages paid after September 30, 2021.   |
| <b>Rate of Credit</b>     | The ERC is a credit equal to 50% of qualified wages and qualified healthplan expenses.   | The rate increased to 70% of qualified wages and healthplan expenses.   |
| <b>Maximum Credit</b>     | Total eligible wages and healthplan expenses are capped at \$10,000 per employee annually, for a maximum credit of \$5,000 per employee for 2021.  | The per-employee limit increased to \$10,000 for each quarter. The maximum credit is \$7,000 per employee per quarter for Quarters 1, 2 and 3 of 2021.  |
| <b>Eligible Employers</b> | The ERC is available to any employer that: <ul style="list-style-type: none"><li>* Had operations fully or partially suspended under government orders due to COVID-19, or</li><li>* Had a decline of gross receipts of at least 50% in gross receipts in any quarter in 2020 when compared to the same quarter in 2019.</li></ul> | The ERC is available to any employer that: <ul style="list-style-type: none"><li>* Had operations fully or partially suspended under government orders due to COVID-19, or</li><li>* Had a decline of at least 20% in gross receipts in any quarter in 2021 when compared to the same quarter in 2019.</li><li>* It also allows the option of determining eligibility based on gross receipts in the immediately preceding calendar quarter (compared with the same quarter in 2019).</li></ul> |
| <b>Qualified Wages</b>    | Qualified wages are generally Social Security wages plus health plan expenses allocable to those wages. For employers with 100 or fewer "full-time employees", all employee wages paid during the period that the ERC is available are qualified. Large employers with more than 100 "full-time employees"                         | Large employers are considered to have more than 500 employees.   |

are limited to wages paid to employees not performing services due to COVID-19 related circumstances.  
Full-time employee is defined as one that, in any calendar month in 2019, worked at least 30 hours per week or 130 hours in a month.

**Important to Note** Qualified wages and health plan expenses cannot be the same as wages and expenses used to meet the spending of your PPP loan.  
Qualified wages cannot be the same as wages applied to the qualified sick and family leave credit.  
Wages paid to majority owners (more than 50% ownership) and their relatives are not eligible.  
The amount of the credit reduces Wage Expense in the year that the credit relates to.  
The credit is claimed by filing Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for each quarter that applies.

**Special Considerations** Severely financially distressed employer (gross receipts declined more than 90% in a 2021 calendar quarter compared to same quarter in 2019) -  
All wages are qualified wages.  
Recovery startup businesses (began operations on or after February 15, 2020) may be eligible to apply for the fourth quarter of 2021.