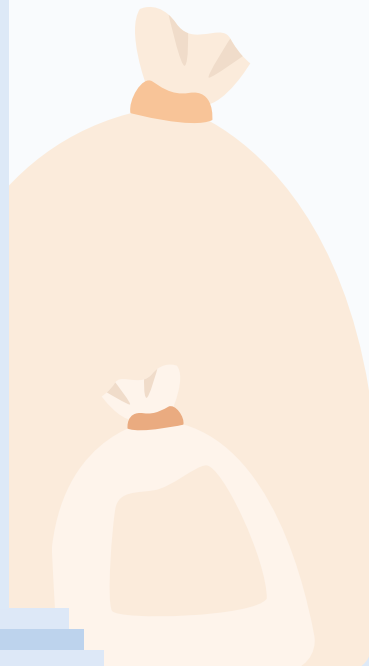


# EMPLOYEE RETENTION CREDIT

## Eligibility Chart

\$



**MIOD**

*and Company, LLP*

CERTIFIED PUBLIC ACCOUNTANTS  
& ADVISORS

# ESTIMATE YOUR CREDITS AND ELIMINATE PAYROLL TAX BEFORE THE DEADLINE TO CLAIM



## FINANCIAL PRESSURES

The coronavirus pandemic of 2020 hit everyone hard financially, especially small businesses. Luckily, the government has updated the 2021 Employee Retention Tax Credit to assist with the financial strain COVID created for so many.



## EMPLOYEE RETENTION CREDIT

The Employee Retention Credit is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021, and 70% of the qualified wages paid per quarter from 1/1/2021 through 12/31/2021. Wages paid to the business owner or the owner's relatives are not eligible to qualify for the credit.

## THE 2020 TAX YEAR

### How Much Can My Business Claim?

The total credit available for 2020 is 50% of qualifying wages paid to qualifying employees during the year after March 12, 2020. The maximum credit amount is \$5,000 per employee for the year.

Your business may be eligible for the ERC if it experienced a significant decline in gross receipts during the quarter or experienced a full or partial suspension of operations due to government order.

Under the first option, the decline in gross receipts must have been over 50% when compared to the same quarter in 2019. Under the second option, your operations must have been restricted so that your business was unable to operate at normal capacity.



If your business employed an average of 100 or fewer full time W-2 employees in 2019, it qualifies as a "small employer," and all wages paid will qualify for the credit.

However, if you employed over 100 full time W-2 employees in 2019, you are considered a "large employer," and only wages paid to employees who did not provide services due to suspension of operations are eligible for the credit.

## **THE 2021 TAX YEAR**

The rules to be eligible for the ERC in the 2021 tax year are similar to the previous year, but there are a few changes. Your business must meet the following stipulations:

### **QUARTER 1 & QUARTER 2 OF 2021**

#### **How Much Can My Business Claim?**

The credit amount increased significantly beginning in 2021 to 70% of qualifying wages per employee per quarter. The maximum credit amount is \$7,000 per employee per quarter.

Additionally, the criteria for small employers changed to allow an average of 500 or fewer full time W-2 employees in the prior quarter. The requirement for the decline in gross receipts for the quarter in 2021 decreased to 20% when compared to the same quarter in 2019. If the business was not in existence in 2019, you may use 2020 for the gross receipts test.

### **QUARTER 3 & QUARTER 4 OF 2021**

Just as mentioned above, your business must have fewer than an average of 500 full time W-2 employees in the prior quarter. However, if your business was not operating before February 16, 2020, you may be eligible for treatment as a "Recovery Startup Business". This only applies if your business has average annual gross receipts of of under \$1 million.

If your business does not qualify as a Recovery Startup Business, you are ineligible to claim the ERC for Q4 of 2021. However, you are still eligible to claim the ERC for wages paid prior to September 30, 2021.



If you had more than 500 full-time W-2 employees in the prior quarter, you may be eligible for treatment as a "small employer" by qualifying as a "Severely Financially Distressed Employer." To qualify, your gross receipts for the quarter must have declined by at least 90% compared to the same quarter in 2019.

## DOES THE ERC AFFECT PPP ELIGIBILITY?

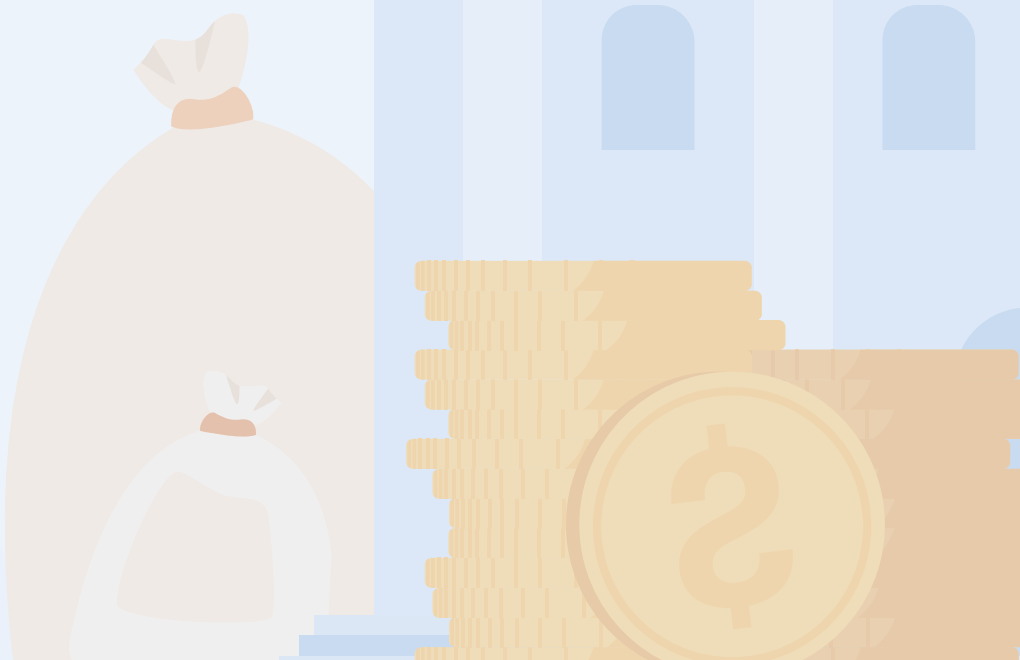
Generally speaking, ERC will not affect one's eligibility for PPP (Paycheck Protection Program). However, there are a couple points to keep in mind. Businesses will not be able to "double dip," so to speak--that is, they cannot apply the same wages to both PPP and ERC.



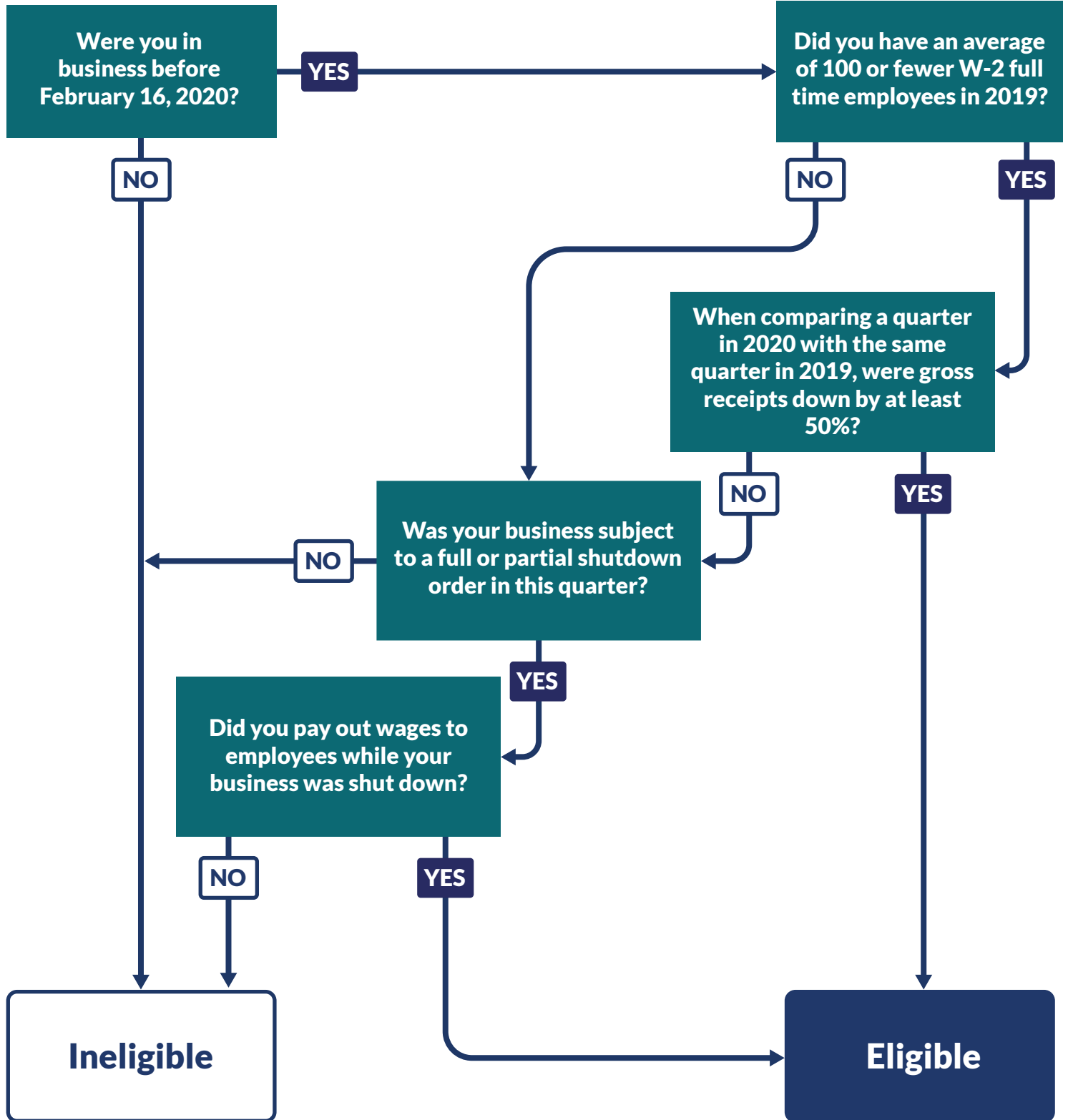
However, if the PPP loan is not forgiven, those qualifying wages may be eligible for the ERC.

## WE'RE HERE TO HELP!

Much like the pandemic itself, the rules for the ERC can be confusing to understand. To make it easier for you, we have created the following charts as a visual to guide you through the eligibility process.



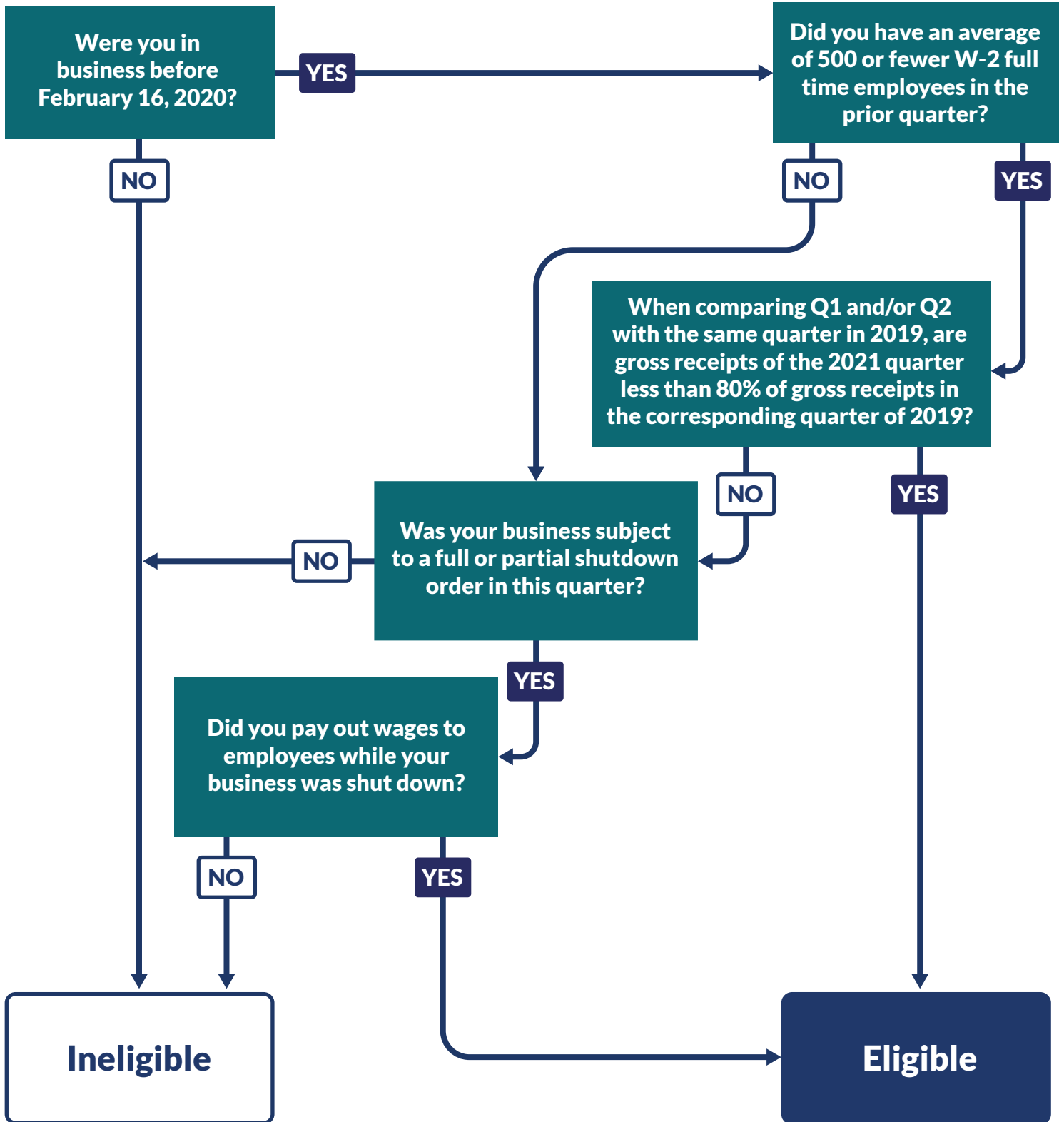
# IS YOUR BUSINESS ELIGIBLE FOR ERC FOR TAX YEAR 2020?



If you have questions about eligibility, book a call with an expert.

[Click here](#)

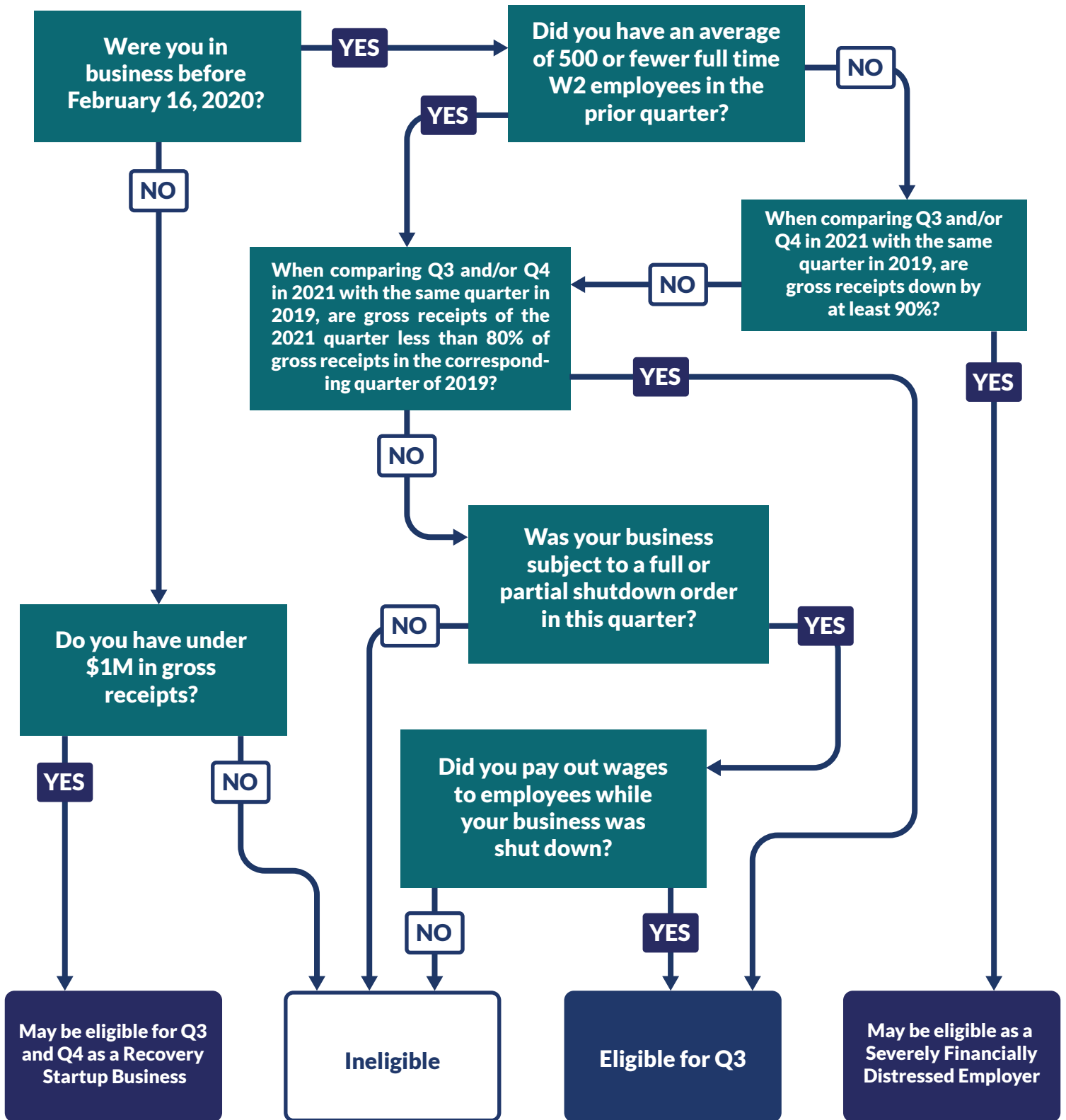
# IS YOUR BUSINESS ELIGIBLE FOR ERC FOR TAX YEAR 2021 IN Q1 AND Q2?



If you have questions about eligibility, book a call with an expert.

[Click here](#)

# IS YOUR BUSINESS ELIGIBLE FOR ERC FOR TAX YEAR 2021 IN Q3 AND Q4?



If you have questions about eligibility, book a call with an expert.

[Click here](#)