



EMPLOYEE RETENTION CREDIT

STRENGTHENING YOUR TEAM

The Employee Retention Credit (ERC) is a new tax credit created under the CARES Act. Business owners may not realize that there is potential tax credit for employers who were impacted by COVID-19. This refundable tax credit is a relief measure for businesses that encourages them to keep employees on their payroll.

The ERC legislation was expanded under the Consolidated Appropriations Act which took effect on January 1, 2021. As a result of this expansion, all employers who took PPP loans could be eligible for the ERC for 2020 and 2021.

HOW SMITH CPA'S & ASSOCIATES CAN HELP

- Determine if your business qualifies as an ERC eligible employer.
- Determine if qualified wages were paid to employees during relevant time periods.
- Calculate your ERC for all applicable financial quarters during 2020 and 2021.
- Identify interactions between your PPP loans and other credits.
- Prepare a summary report to substantiate your credit per employee.
- Prepare draft forms 941-X, if applicable, to provide to your CPA or payroll provider.

HOW TO CLAIM THE ERC

- Under the ERC, an eligible employer may claim a payroll tax credit to offset all federal employment tax paid from March 13, 2020 until September 30, 2021.
- Eligible employers include those who experience a suspension of activity due to a governmental order as a result of COVID-19 OR those who experienced a significant decline in gross receipts: 50%+ for 2020 and 20%+ for 2021.
- Employers may claim up to \$5,000 per employee for all of 2020 and up to \$7,000 per employee per quarter during 2021.
- Weren't eligible to claim in 2020? You may be eligible now! This credit can be claimed retroactively.