



ARE YOU LEAVING \$ ON THE TABLE?

The Employee Retention Tax Credit

The Employee Retention Tax Credit (ERTC) is a provision established under the CARES Act which has been enhanced by additional legislation and could provide an immense amount of capital to employers. Unfortunately, statistics are showing that credit is being underutilized.

This is a refundable tax credit employers can claim against certain employment taxes, equal to a percentage of qualified wages and health insurance premiums paid after March 12, 2020, and before September 30, 2021.

For 2020, the credit is 50% of qualified payments, up to \$10,000 per employee. Simply put, an eligible business has the potential to request refunds of up to \$5,000 per employee for the year.

For 2021, the credit increases to 70% of qualified payments, up to \$10,000 per employee per quarter. The credit was intended to run through December 31, 2021, but the passing of the recent Infrastructure Bill put an end to it after September 30. Nevertheless, the credit is still fair game for the first three quarters of 2021. With a maximum credit of \$7,000 per employee, per quarter, a business eligible for all three quarters of 2021, could receive refunds of \$21,000 per employee. Without question, the ERTC can provide much-needed dollars for eligible employers.

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Business Eligibility

For most businesses, eligibility is determined by meeting one of two tests; with a third test available for quarters 3 and 4 of 2021, which will be outlined later.

1 TEST ONE

A measure of decline in gross receipts. If an employer experiences a significant decline in gross receipts for any calendar quarter, as compared to the same calendar quarter in 2019, they will be eligible for the credit in that quarter. For 2020, this is defined as gross receipts that are less than 50% of gross receipts for the same quarter in 2019, and for 2021, this is gross receipts being less than 80% of gross receipts for the same quarter in 2019.

2 TEST TWO

A full or partial suspension of operations. If an employer was subject to any full or partial suspension of operations because of government orders related to COVID-19 they could be eligible. These orders could be Federal, State, county, and/or municipality. Even if your business was deemed essential and was not directly affected by such orders, there still could be avenues to be eligible for the credit.

3 TEST THREE

Under a third test, if a business can meet the definition of a recovery startup business, they can claim the credits for the 3rd and 4th quarters of 2021 only (not exceeding \$50,000 per quarter). A recovery startup business is any employer that began a trade or business after February 15, 2020, and has average annual gross receipts of less than \$1,000,000.

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