

## FEDERAL “COVID” EMPLOYEE RETENTION CREDIT

The COVID Employee Retention Credit is a refundable tax credit available to Eligible Employers against certain employment taxes equal to:

- For qualifying wages after March 12, 2020 through December 31, 2020 = 50% of the qualified wages per employee (including certain health plan costs) up to \$10,000 for the year (max \$5,000); and
- For qualifying wages on or after January 1, 2021 through June 30, 2021 = 70% of the qualified wages per employee (including certain health plan costs) up to \$10,000 per QUARTER (max \$14,000).

*Ineligible wages* are:

- Wages paid under for sick and family leave under the Families First Coronavirus Response Act;
- Wages claimed for the Federal Work Opportunity Tax Credit; and
- Payroll Costs claimed for PPP loan forgiveness.

Previously this credit was not available to those employers that received benefits under the Payroll Protection Program (PPP), however, under the Consolidated Appropriations Act, 2021, the credit was retroactively expanded to include recipients of PPP loans.

The credit is claimed on the Quarterly 941 or on an amended Quarterly 941 against the employer’s share of Social Security taxes, with the remainder refunded back to the company.

*Eligible Employers*, including tax-exempt organizations, are those companies that were operating a trade or business during calendar year 2020 through June 30, 2021 and experienced **EITHER**:

1. the full or *partial* suspension of the operation of their trade or business during any calendar quarter because of governmental orders limiting commerce, travel, or group meetings due to COVID-19, **OR**
2. a decline in gross receipts within a calendar quarter as compared to the same calendar quarter in 2019 of:
  - 50% or more within a 2020 calendar quarter, or
  - 20% or more within Q1 or Q2 of 2021

The credit applies to qualified wages (including certain health plan expenses) paid during the “full or partial suspension period” or the full calendar quarter in which the decline in gross receipts test was met.



### **Qualified wages**

The definition of qualified wages depends on how many employees an eligible employer had during 2019 and depends on the qualifying period.

- For wages paid in 2020, if an employer averaged more than 100 full-time employees during 2019, qualified wages for 2020 qualifying periods are those wages, including certain health care costs, (up to \$10,000 per employee) paid to employees that are **not providing services** because operations were suspended or due to the decline in gross receipts.
- For wages paid in 2021, if an employer averaged more than **500** full-time employees during 2019, qualified wages for 2021 qualifying periods are those wages, including certain health care costs, (up to \$10,000 per employee **per quarter**) paid to employees that are **not providing services** because operations were suspended or due to the decline in gross receipts.

Qualifying wages for employers with less than 100 employees (for 2020) and 500 employees (for 2021) includes **ALL** wages paid during the qualifying period, even if employees were at work, or performing services.