

THE POWER OF BEING UNDERSTOOD

EMPLOYEE RETENTION CREDIT

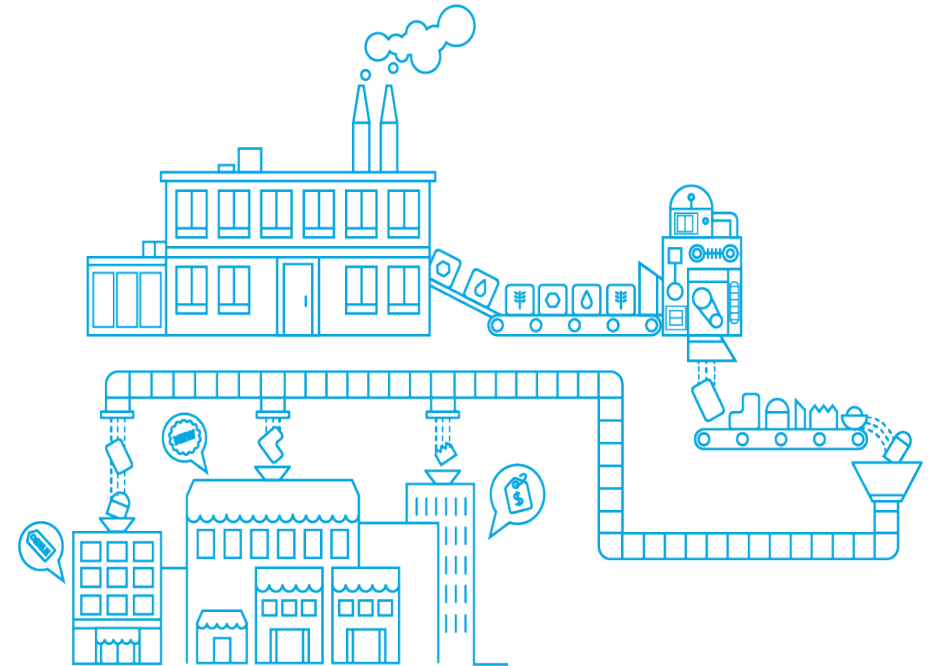


Employee retention credit - Overview

	2020	2021 – Q1 and Q2	ARP changes for Q3 and Q4 2021
What is it?	50% payroll credit up to \$10,000 per wages per employee	70% payroll credit up to \$10,000 of wages per quarter per employee	
Who is eligible?	Fully or partially impacted by a government order limiting commerce, travel or group meetings OR		
	50% decline in gross receipts compared to same quarter in 2019	20% decline in gross receipts compared to same quarter in 2019	
			OR Recovery start-up business
What are qualified wages?	>100 full-time employees in 2019: Wages/healthcare expenses attributable to time NOT working	>500 full-time employees in 2019: Wages/healthcare expenses attributable to time NOT working	
	</ 100 full-time employees in 2019: ALL wages/healthcare expenses paid	</ 500 full-time employees in 2019: ALL wages/healthcare expenses paid	
			Severely financially distressed: ALL wages/healthcare expenses paid

Fully or partially impacted by a government order

- Lots of orders by various bodies
- Not as easy as essential vs. non-essential
 - Impact “more than nominal” is needed
- Starting point: what business operations were limited and what caused that limitation?



Gross receipts eligibility

- Used more often in 2021
- Generally calculated based upon tax method
 - Interaction with PPP loan forgiveness
- Can use the immediately preceding quarter's gross receipts

Credit process and documentation

Eligibility

- Government orders or gross receipts?
- Dates and locations of orders, if applicable
 - Impact on the business
- Controlled group?

Qualified wages

- How many FTEs?
- Controlled group?
- Time not working, if applicable
- Reconciliation with other credits
- Correct definition of wages
- Correct dates

Claiming the credit

- **2020**
 - 941-X
- **2021**
 - 7200 or
 - 941 or
 - 941-X

Employer size and ERC (assume 2020)

90 employees, making average of \$60,000 per year

Shutdown for 6 weeks

$6 / 52 = 11.5\%$ portion of year impacted by orders

$11.5\% \times \$60,000 = \$6,900$

$90 \times \$6,900 \times 50\% = \$310,500$

300 employees, making average of \$60,000 per year

10% of everyone's work could not be done for 9 months of the year

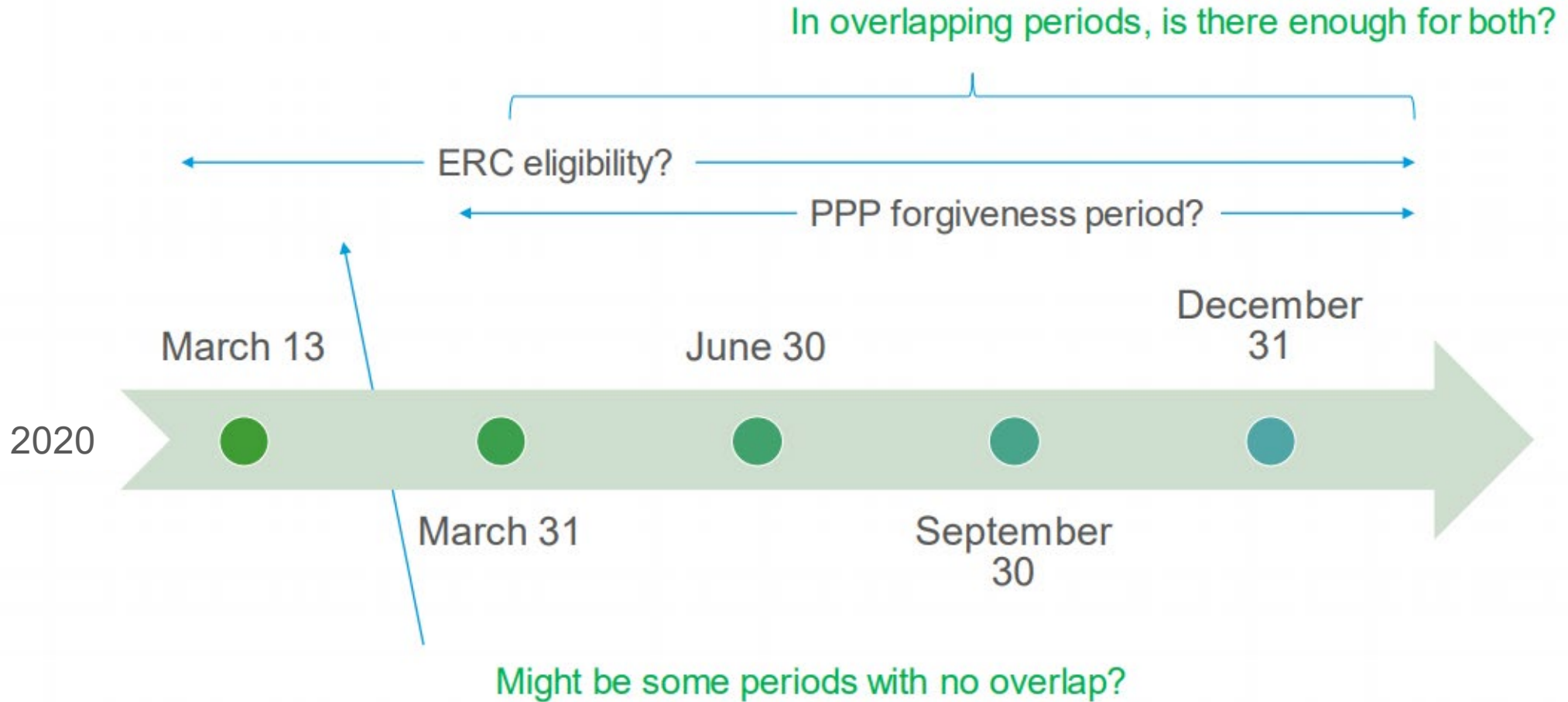
$\$60,000 \times 10\% \times 9/12 = \$4,500$

$300 \times \$4,500 \times 50\% = \$675,000$

Common misunderstandings

- “We’re too big.”
- “We were never fully shutdown.”
- “Our payroll provider already claimed it for us.”
- “Reporting the credit gives us audit risk.”
- “We took a PPP loan so we can’t take the credit.”

Misconception #6: We don't have significant qualified wages for ERC ... We took a PPP loan (or other credits)



Practical considerations

- Government order impacts are not always intuitive
- Shift from government orders to gross receipts for 2021
- Credits can be sizable
- Substantiation is critical
 - Payroll providers may not assist