

EMPLOYEE RETENTION CREDIT

CARES ACT RETAINING EMPLOYEES OPTIONS:

- Employer Retention Credit
- Paycheck Protection Program Loan
- Defer Payroll Taxes

EMPLOYERS CAN ONLY CHOOSE ONE OF THE THREE ABOVE OPTIONS

EMPLOYEE RETENTION CREDIT

- Encourages employees to stay on payroll during the COVID 10 pandemic
- Fully refundable credit
- Max is \$5,000 credit per employee
- Credit allowed against employer Social Security tax
- Qualified wages include employer health expenses paid
- Only wages for a certain time-period
- Calculation based on number of full-time employees
- Credit included in income
- Advance credit is reported on Federal Form 7200

PAYMENT OF EMPLOYEES REQUIRED FOR CREDIT

- No requirements to pay employees under Act
- Credit is one choice
- Must pay employees to receive credit (must retain employees)

ELIGIBLE EMPLOYER

- Must meet one of the following:
 - o Partial or total government shutdown
 - o Gross receipts declined > 50% (comparable to quarter in 2019)
 - o Regardless of size, including Not for Profits (NFP)

NOT ELIGIBLE

- Government employers
- Self-employed individuals

QUALIFIED WAGES

- Wages under IRC 3121(a)
- Compensation under IRC 3231(e)
- Qualified health plan expenses under IRC 5000(b)(1)
 - o Exclude from employee gross income

EMPLOYEES

- Less than 100 full time employees – any period of hardship (all employees qualify)
- More than 100 full time employees – only time employee is NOT providing services due to either (only employees NOT working during shutdown but still on payroll):
 - o Partial or total government shutdown or
 - o Gross receipts declined > 50%

QUALIFIED WAGES – EXCLUSION (NOT AVAILABLE TO BE USED AS WAGES FOR CREDITS)

- Paycheck Protection Program Loan payroll costs
- Families First Coronavirus Response Act (FFCRA) wages
- Work Opportunity Tax credit wages

QUALIFIED WAGES – TIME PERIOD

- After March 12, 2020 but before Jan 1, 2021
- **March 13 to March 31, 2020 is part of 1st Quarter 2020**
- Partial credit for 1Q/2020
- No refund for employment taxes paid 1Q/2020
- No advance credit available for 1q/2020 on Form 7200
- Available 2Q/3Q/4Q/2020

QUALIFIED WAGES MAX AMOUNT

- Credit equals 50% of the qualified wages
- Max amount of \$5,000 (50% of \$10,000)
- Based on qualified wages of \$10,000 in quarter

TAXES THAT APPLY TO THE CREDIT

- Employer Social Security taxes
- Railroad employer taxes
- Fully refundable
- Can fund:
 - o Advance payroll taxes
 - o Advance credit on Form 7200

NO FAILURE TO DEPOSIT PENALTY

- No Section 6656 failure to deposit penalty as long as:
 - o Qualified wages paid to employees before required deposit
 - o Federal employment taxes not timely deposited (reduced by paid sick or family leave FFCRA)
 - o Employer did not apply for an advanced credit on Form 7200

