

FEDERAL COVID EMPLOYEE RETENTION CREDIT

The Consolidated Appropriations Act of 2021 (H.R. 133) signed into law by President Trump on Dec. 27, 2020 expanded the eligibility for the COVID-Employee Retention Tax Credit (“CV-ERC”) originally enacted under the CARES Act.

What is the CV-ERC?

The CV ERC is a refundable **payroll tax credit** based on qualified wages paid to an eligible employee. The credit was created to assist companies that continued to pay employees during the COVID-19 pandemic. The credit is currently available for wages paid in 2020 and 2021; the CV-ERC is scheduled to end on September 30, 2021, per the infrastructure bill signed into law on November 15th 2021.

Eligible Employers for the CV-ERC

Generally, any business may qualify if it meets one of two tests to qualify for the CV-ERC:

1. Full or **partial** business disruption and/or closure due to the COVID-19 pandemic; **OR**
2. Experienced a quarterly decline in gross receipts as compared to 2019; 50% decline in 2020 and 20% in 2021.

However, it is possible that a business had record receipts in 2020 and still qualifies for the ERTC.

In general, a qualified employer must have 100 or less full-time equivalent employees during 2020 to qualify for the 2020 benefits and 500 or less full-time equivalent employees during 2021 to qualify for the 2021 benefits. However, in certain situations, employers who exceed this cap on full-time equivalent employees may still qualify for the CV-ERC.

Maximum Amount of ERTC Available for Each Employee

The maximum CV-ERC is \$5,000 per employee for 2020. The maximum CV-ERC for 2021 is \$7,000 per employee per quarter.

PPP Loan Coordination

Recipients of a PPP loan can now also qualify for CV-ERC. A review of the PPP loan proceeds and qualified wages must be performed in calculating the CV-ERC.

Documents Needed to Scope Opportunity

In addition to a review of the impact of COVID on your business operations, the documents needed to evaluate the potential opportunity include but are not limited to:

- 2019 1094-C Form
- 2019, 2020 & 2021 quarterly 941 payroll tax reports
- 2019, 2020 & 2021 monthly gross receipts;
- Round 1 & Round 2 PPP loan amount and funding date; and status of PPP forgiveness.

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