

EMPLOYEE RETENTION CREDIT (ERC) SERVICES

DO YOU QUALIFY? IS IT WORTH IT?

If you qualify, the tax benefits are generally very substantial. Small businesses are qualifying for \$50,000 to \$10,500,000 in refundable tax credits. The government wants to give this money to deserving business owners during these difficult times. If you own or manage a business that has been partially or completely shut down OR has had a significant decline in revenue, you may be entitled to these tax credits.



WHAT IS IT?

Initially enacted in March 2020 under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the ERC encouraged businesses to keep employees on their payroll. Under the CARES Act, businesses were not allowed to claim the ERC if they had taken a Paycheck Protection Program (PPP) loan. However, substantial changes and expansions benefitting businesses were made with the subsequent enactment of the Consolidated Appropriates Act (CAA) in December 2020, followed by additional guidance with IRS Notice 2021-20, published in March 2021.

WHO GETS IT?

Under the CARES Act, businesses needed to meet one of the following requirements to qualify for the credit:

1. Had operations that were fully or partially suspended due to a COVID-19 government order.
2. Had a decline in gross receipts of at least 50% from any quarter in 2019 when compared to the same quarter in 2020. Eligibility begins in the first calendar quarter in 2020 for which gross receipts are less than 50% of gross receipts for the same calendar quarter in 2019; and ends with the calendar quarter following the first calendar quarter for which gross receipts are greater than 80% for the same calendar quarter in 2019.

Under the CAA, businesses with PPP loans are now eligible for the credit if they meet one of the following:

1. Had operations that were fully or partially suspended due to a COVID-19 government order.
2. Had a decline in gross receipts where any calendar quarter in 2021 has gross receipts which are less than 80% of gross receipts for the same calendar quarter in 2019. Also, for 2021 ERC only, employers can elect to determine their eligibility by comparing their gross receipts from the immediately preceding calendar quarter to the corresponding quarter in 2019. For example, an employer could elect to determine eligibility for the first quarter of 2021 by comparing its gross receipts for the fourth quarter of 2020 to the fourth quarter of 2019.

HOW MUCH?

CARES Act: The credit was originally calculated based on 50% of qualified wages (including the cost of health benefits) up to \$10,000 per employee, annually for qualified wages paid after March 12, 2020, and before January 1, 2021. The total annual credit was capped at \$5,000 per qualified employee (\$10,000 qualified wages x 50%).

CAA: The credit is now calculated based on 70% of qualified wages (including the cost of health benefits) up to \$10,000 per employee, per quarter for qualified wages paid on or after January 1, 2021, and before September 30, 2021. The total annual credit is now capped at \$21,000 per qualifying employee (\$10,000 x 70% x three quarters).

HOW TO CLAIM IT?

The ERC must be claimed on Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund.

HOW WINDES CAN HELP

These credits are valuable, and it is important that you maximize the amount of credits due to you. Even if you do not qualify based exclusively on the substantial decrease in gross receipts test, you may qualify under a partial or complete shutdown order. The rules can be very technical, and you will want to make sure to maximize your benefits while also minimizing your risk to audit. If, in the event of an audit, we can also help with IRS audit defense.

If you have questions about the ERC and would like to find out how Windes can help your business or organization claim these credits, contact our team at info@windes.com or **844.4WINDES** (844.494.6337).



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