

The Employee Retention Tax Credit (ERTC)

Big potential benefits for business owners

What is the employee retention credit?

What is the Employee Retention Tax Credit? - A refundable employee tax credit enacted as part of the CARES ACT in 2020. Companies qualify for the credit if they were either fully or partially shut down due to government orders, or if they had a significant decline in quarterly revenue of 50% or more compared to the same quarter in 2019. The 2020 tax credit is \$5000 per eligible w2 employee.

Therefore, if your company covered 20 w2 employees in 2020, you could be eligible for a \$100,000 refund from the IRS,

The Employee tax credit is even better for 2021! If your companies revenues are 20% lower in any calendar quarter in 2021 vs the same quarter in 2019, you should be eligible for \$7000 per eligible w2 employee. If the companies gross revenues are at least 20% lower in all 4 quarters in 2021 vs the same quarter in 2019, the credit for the same 20 eligible employee example, could result in an ETC for 2021 of be \$560,000!

The 2020 credit would come in the form of a refund check from the IRS, and the 2021 credit could come in the reduction of employment tax deposits or you can request an advance of the 2021 ERTC in the form of a check from the IRS.

How is the ERC calculated?

For 2020, the credit is 50% of qualified wages paid between March 13 and December 31, 2020, but only up to 50% of qualified wages, (more on that below). Thus the maximum any employer may receive as a credit per employee for 2020 is \$5000. For a company with 20 eligible wage w2 employees, the tax refund for 2020 could be \$100,000!

For 2021, the credit is 70% of eligible wages for the allowed amount, per quarter, paid between January 1, 2021 and before December 31, 2021. Each employee's allowable wage amount is \$10,000 per quarter in 2021. Thus the maximum any employer may receive as a credit per employee in 2021 is \$28,000, (\$7,000 per quarter). Once again, for a company with 20 eligible wage w2 employees, the benefit for 2021 could be \$560,000!!

What are qualified wages?

Qualified wages include gross wages, plus the employer cost of health insurance. Wages for purposes of the employee retention credit include wages not funded with PPP loan proceeds.

What employers qualify for the employee retention credit?

Most employers, including tax exempt organizations, can qualify for the credit. One of the two following events must have occurred in order to qualify for the credit.

1) **The business must have been fully or partially suspended or had to reduce business hours** due to a government order. The credit applies

only for the portion of the quarter the business is suspended, not the entire quarter.

2) An employer had a significant decline in gross receipts.

- During 2020, this was defined as a drop in gross receipts in a calendar quarter in 2020 that is 50% lower than the gross receipts earned in the same calendar quarter in 2019.
- Beginning in 2021, this is defined as a drop in gross receipts in any quarter of 2021 that is 20% lower than the gross receipts earned in the same calendar quarter in 2019, or preceding quarter such as the fourth quarter of 2020.

How does an employer claim the credit?

Springboard Funding Partners is working with selected tax credit specialists across the US, specifically chosen for their ERTC expertise in assisting applicants with making sure the proper forms are completed and filed.

We work with the business owner to verify eligibility for both 2020 and 2021 ERTC. Once that step is completed, we will collect initial documents and assist with the onboarding efforts with the ERTC tax credit specialists.

The ERTC is an opportunity for business owners with w2 wages for employees to obtain some significant help from the government!

For more information, contact Ralph Russell at 312 582 0929, or via email at ralph@springboardfundingpartners.com.