

Employee Retention Credit



By John Madsen

ERC overview

- A fully refundable tax credit for eligible wages (including health care expenses) paid by Eligible Employers during the following periods:
 - March 13, 2020 - December 31, 2020
 - January 1, 2021 - September 30, 2021

What is the maximum benefit of the ERC?

- For 2020, Eligible Employers may claim a maximum credit of \$5,000 (calculated as 50% of eligible wages up to \$10,000 per employee) for the year
- For 2021, Eligible Employers may claim a maximum credit of \$7,000 (calculated as 70% of eligible wages up to \$10,000 per employee) for the first three quarters of 2021
- In total, Eligible Employers may claim a total of \$26,000 for 2020 and 2021



Eligible Employer FTE cap

- 100 or fewer FTEs in 2019 to be eligible for the 2020 and 2021 credit
- 500 or fewer FTEs in 2019 to be eligible for the 2021 credit

What is an Eligible Employer?

- An employer that carries on a trade or business during calendar years 2020 or 2021 and answers yes to either of the following two questions:
 - i) A decline of 50% or more in gross receipts during any calendar quarter of 2020 compared to the same calendar quarter in 2019. For the first three quarters in 2021, the company experienced a drop in gross receipts of 20% or more compared to the same calendar quarter in 2019. This is the Safe Harbor.

What is an Eligible Employer?

ii) Business operations of the employer were fully or partially suspended, or, more than nominally impacted during any quarter in 2020 or during the first three quarters in 2021 by an appropriate government authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19.

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BLACK LINE GROUP
R&D tax credit experts

What is an Eligible Employer?

EXAMPLES INCLUDE:



CORONAVIRUS

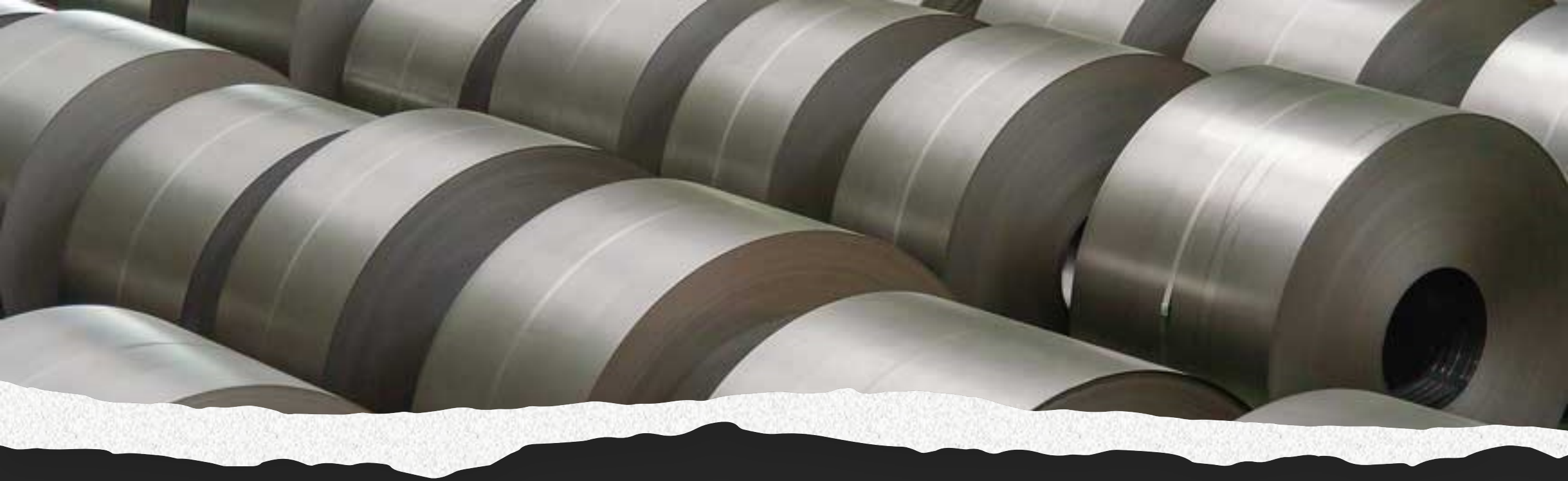
Example 1

- A contract manufacturer that supplied components to slot machine manufacturers experienced a significant revenue drop when casinos across the country were fully or partially shut down by government authorities



Example 2

- A medical device manufacturer that supplied equipment to doctors saw a significant drop in orders due to governmental restrictions on doctors performing elective surgeries



Example 3

- Raw material or parts are significantly delayed compared to normal order fulfillment times experienced in 2019 due to Covid-19 restrictions



Example 4

- Productivity is impacted due to Covid-19 governmental restrictions related to:
 - Social distancing
 - Cleaning requirements
 - Mandatory 10-day quarantine

How is the ERC realized?

- Determine eligibility
 - Safe Harbor qualification (revenue decrease)
 - Covid-19 governmental orders impact to company operations
- Compute credit amounts
- Complete IRS Form 941-X
- Customer signs and mails the 941-X to the IRS
- IRS processes and mails a check to customer (10-24 months)



You Should Consider the ERC if:

You experienced a drop in gross receipts in:

- Any quarter of 2020 vs. same quarter in 2019, OR
- Any of the first three quarters of 2021 vs. same quarter in 2019

Don't hesitate to contact Black Line Group with any additional questions

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