



Expertise Matters

Employer Retention Credit (ERC)

When introduced in the CARES Act, the Employer Retention Credit (ERC) provided a refundable tax credit equal to 50% of up to \$10,000 in qualified wages (i.e., a total of \$5,000 per employee) paid by an eligible employer whose operations were suspended due to a COVID-19-related governmental order or whose gross receipts for any 2020 calendar quarter were less than 50% of its gross receipts for the same quarter in 2019.

The ERC received little attention when the CARES Act was initially signed into law in the early part of 2020 since most businesses who were eligible for a PPP loan applied for one. In other words, businesses could not apply for a PPP loan AND claim the ERC.

However, the new COVID-19 relief bill includes language that could be SIGNIFICANT for companies who have experienced a decline in revenues for COVID-19 related reasons, regardless of whether the business has already taken out a PPP loan. Here is why:

- **Retroactive Provision** – If you received a PPP loan during 2020, and suffered a full or partial suspension of business as a result of a government order or your gross receipts for a quarter in 2020 were reduced by more than 50%, compared to the same quarter in 2019, you can amend 2020 Form 941s to claim a credit for wages not used for PPP loan forgiveness if they are eligible wages for ERC.

- From January 1, 2021 through December 31, 2021 –For this extension period, the following changes to the ERC are effective:
 - Employers who see a 20% decline in revenue may now claim the credit (the previous requirement for quarters in 2020 was a 50% decline in revenue when compared to the same quarter in 2019)
 - The credit rate is increased from 50% to 70% of qualified wages and the limit on per-employee wages is increased from \$10,000 for the year to \$10,000 PER QUARTER!!!
 - Companies with up to 500 employees may now claim the ERC.
 - For 2021, the test is satisfied for any quarter in 2021 in which gross receipts is less than 80% of the same quarter in 2019. Thus, in the first quarter of 2021, a business would compare its receipts in that quarter to the first quarter of 2019, NOT the first quarter of 2020.

The details continue to change and the interaction of ERC and PPP are complex.

Please reach out to your tax professional for further guidance.

About Wessel & Company

Wessel & Company is a professional corporation committed to providing the highest quality services to their clients. Wessel's goal is to enhance our client's profitability and provide proactive assistance and consultation while enriching the lives of their staff. They are the resource owners and individuals rely on for trusted, confidential advice to create and track goals. Some call that "value added," Wessel considers it a stepping stone for client evolution.

WESSEL & COMPANY
ACCOUNTANTS & ADVISORS

Here's how you can help!

Let us know what topics you'd like to see addressed in Expertise Matters, or you might volunteer to write for us, too. Just get in touch with Lauren Thompson at lauren@jari.com.

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