

## EMPLOYEE RETENTION CREDIT (ERC) FOR EMPLOYERS SUBJECT TO CLOSURE OR EXPERIENCING ECONOMIC HARDSHIP

**Please read this and the IRS FAQ Advisory linked below in their entirety and consult your CPA firm immediately for possible substantial relief for employers under the CARES Act.**

This provision in the CARES Act provides a fully refundable federal payroll tax credit for eligible employers equal to 50 percent of qualified wages (including allocable qualified health plan expenses) paid by employers to employees during the Covid-19 crisis. The maximum credit is \$5,000 per employee. The credit applies to all qualified wages paid from March 13, 2020 to December 31, 2020. There is no upper limit on the number of employees an employer may have.

The potential benefit for an employer with, for example:

- 75 employees is \$5,000 per employee, or **\$375,000**
- 600 employees is \$5,000 per employee, or **\$3,000,000**

The credit is available to employers carrying on a trade or business in 2020: (1) whose operations have been fully or partially suspended as a result of a government order limiting commerce, travel or group meetings; OR (2) you have experienced a greater than 50 percent reduction in gross receipts in any 2020 calendar quarter, measured on a year-over-year basis.

The credit is **not available** to employers receiving assistance through the Paycheck Protection Program authorized under the CARES Act (for firms with 500 or fewer employees.). The credit is available to larger employers who may apply for the Treasury Department's Coronavirus Economic Stabilization Act Program, which is expected to begin making loans soon to qualifying businesses, states and municipalities.

According to the IRS's FAQ document (see link below): "The operation of a trade or business may be *partially suspended* if an appropriate governmental authority imposes restrictions upon the business operations by limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19 such that the operation can still continue to operate but not at its normal capacity."

### ***What are "qualified wages"?***

If the employer averaged more than 100 full-time employees in 2019, qualified wages are generally the wages paid to an employee for time that the employee is **not providing services** due to either (1) a full or partial suspension of operations by order of a governmental authority due to COVID-19, or (2) a significant decline in gross receipts.

If the employer averaged 100 or fewer full-time employees in 2019, qualified wages are the wages paid to **any employee** during any period of economic hardship described in (1) and (2) above.

In either case, qualified wages include allocable qualified health plan expenses.

For the details on the Employee Retention Credit, go to the IRS FAQ advisory:

<https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>

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