

Employee Retention Tax Credit Brief Explanation

The Employee Retention Tax Credit (ERTC) is available to businesses who were under a full or partial government-ordered shutdown at any time in 2020 or who experienced a decline in gross receipts of 50% or more in at least one quarter in 2020 as compared to the same quarter in 2019.

For businesses with 100 or fewer employees, the credit is 50% of wages paid up to \$10,000 per person during the shutdown period or during the quarter in which gross receipts were below 50% as well as any subsequent quarter in 2020 up to and including a quarter in which gross receipts exceeded 80% of the same quarter 2019.

For businesses with more than 100 employees, only wages paid to employees not to work (furloughed) during those periods are eligible for the 50% credit.

The maximum credit allowable per employee in 2020 is \$5,000 (50% of \$10,000 wages). This credit can provide significant relief to small businesses that was not available to them until just two weeks ago. For example, a company with 20 employees may qualify for up to \$100,000 in ERTC for 2020 ($20 * \$10,000 * 50\% = \$100,000$). It is important to note, however, that wages used to compute the ERTC may not also be used in the calculation of PPP loan forgiveness.



The ERTC extends to the first two quarters of 2021, with different criteria for eligibility and calculating the credit. In 2021, if a business experiences a reduction in gross receipts of at least 20% compared to the same quarter in 2019, they qualify for the credit. The credit is 70% of wages up to \$10,000 per quarter in Q1 and Q2 2021. The company size criteria referenced above also changes from 100 to 500 employees.