

Employee Retention Credit

What your organization needs to know

The Employee Retention Credit (ERC) is a payroll tax credit that is available to eligible businesses who kept employees on the payroll during the pandemic in 2020 and 2021 and who experienced either:

1

A significant decrease in revenue

OR

2

A full or partial shutdown due to a government order.

The rules and requirements are complex and many organizations are unclear whether they are eligible and how much they may receive, so we encourage management to start exploring their eligibility as soon as possible.

Who is this available to and how much is the credit?

2020

Organizations who meet the qualifications below and averaged < or = 100 full-time employees in 2019*

Eligible for 50% of first \$10,000 of wages and health plan expenses of **all** employees from March 13 – December 31, 2020.

Organizations who meet the qualifications below and averaged >100 full-time employees in 2019*

Eligible for 50% of first \$10,000 of wages and health plan expenses paid to employees *who did not* provide services due to the pandemic from March 13 – December 31, 2020.

2021 (per qualifying quarter)

Organizations who meet the requirements below and averaged < or = 500 full-time employees*

Eligible for 70% of first \$10,000 of wages and health plan expenses of all employees from January 1 – September 30, 2021.

Organizations who meet the requirements below and averaged >500 full-time employees*

Eligible for 70% of first \$10,000 of wages and health plan expenses paid to employees who did not provide services due to the pandemic from January 1 – September 30, 2021.

*Under ACA standards, full-time is defined as either 30+ hours per week or 130 hours per month

How to qualify:

If your organization experienced a significant decrease in revenue (gross receipts) during the pandemic or if your organization experienced a full or partial shutdown due to government orders.

Option 1: Gross receipts test (total revenue excluding PPP loan forgiveness)

2020

Organizations qualify if their 2020 revenue decreased by more than 50% compared with same calendar quarter in 2019.

2021

Organizations qualify if their 2021 quarterly revenue decreased by more than 20% compared to same calendar quarter in 2019 OR compared to the immediately prior quarter.

Option 2: Partial suspension qualification (partial shutdown)

There are two methods for determining whether a partial shutdown occurred:

More than nominal portion of operations suspended by government order

Gross receipts (total revenue) from that service line/service area is at least 10% of total revenue; or a service line/service area that makes up 10% of total hours worked

More than nominal effect on business operations

The mere fact that an employer must make modification to operations due to a governmental order does not result in a partial shutdown unless the modification has more than a nominal effect on operations

A governmental order that results in a reduction in an employer's ability to provide goods or services in the normal course business of at least 10% is deemed to have more than a nominal effect on operations

Availability period and timing:

The credit is available from the first quarter of 2020 (March 13 – 31 only) through the fourth quarter of 2021; however only recovery startup businesses can claim the credit for the fourth quarter of 2021. The deadline to file a Form 941-X to claim the credit is generally the later of: three years from the date you filed your original return or two years from the date you paid the tax. All quarterly Forms 941 filed for a calendar year are considered filed on April 15th of the following year if they are actually filed before that date.

Need advice?

BerryDunn can help you:

- **Determine eligibility:** We work collaboratively with management to review eligibility criteria and discuss how they might qualify. This can include developing a memo summarizing the organization's eligibility.
- **Conduct a gross receipts and partial shutdown analysis:** We conduct the gross receipts analysis and conduct research on state and federal government orders that impacted the organization.
- **Complete and file tax forms:** We assist with completion of necessary tax forms and filing with IRS to claim the credit.
- **Audit support:** If the credit is selected for audit by the IRS, we can help management compile requested documentation and represent the organization through the audit process.

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for more information on how to calculate and file your ERC.

About BerryDunn

BerryDunn is a nationally recognized firm providing assurance, tax, and consulting services. Evolving over the years to stay on the forefront of the many industries it serves, the firm's mission has remained constant: to help each client create, grow, and protect value—while delivering exceptional service based on integrity, expertise, and a constant commitment to client success. BerryDunn serves clients from its nine offices and with 800 employees across the US and territories. Learn more about the work we do and industries we serve at berrydunn.com/industries.



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wherever you are based, we look forward to working together.

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