

EMPLOYEE RETENTION CREDIT



WHAT IS THE ERC?



The Employee Retention Credit (ERC) is part of the CARES Act, which was originally passed in 2020 to allow employers who have been affected by Covid-19 regulations to receive payroll tax credits up to \$26,000 for each employee.

As originally laid out, the ERC was not lucrative for most businesses, but has been upgraded so that many now qualify. Businesses that have already taken advantage of PPP may still qualify for ERC, as long as the wages paid with PPP aren't used to calculate the ERC.

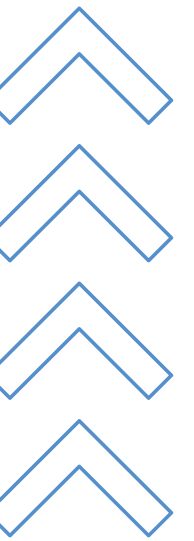


With updates to the Employee Retention Credit, employers can now receive significantly more for each employee:

- In 2020, employers could receive \$5,000 for each employee, in total, for businesses with up to 100 employees.
- Starting in 2021, employers could receive \$7,000 for each employee per quarter, up to three quarters (\$21,000 for each employee!), for businesses with up to 500 employees.

The ERC is a fully refundable tax credit that is available to businesses and non-profits, and is based on qualifying wages. It is not a loan or a grant. Businesses that qualify will receive a check directly from the IRS.

WHO QUALIFIES FOR THE ERC?



1

Revenue Drop:
Gross receipts in a 2020 calendar quarter are below 50% of gross receipts when compared to same quarter in 2019.

Gross receipts in a 2021 calendar quarter have seen a 20% drop compared to the same quarter in 2019.

2

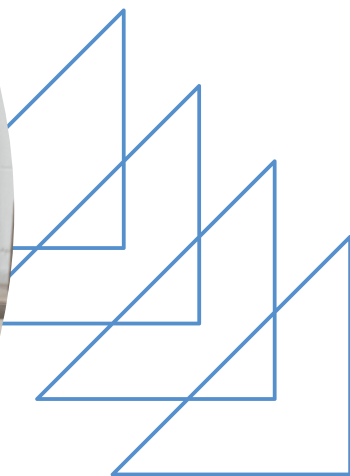
Mandated Shutdown:
Trade or business that was fully or partially shutdown, or had to reduce business hours or occupancy due to a government order.

3

Recovery Startup Business:
Business that started after February 16, 2020 are automatically approved for \$50,000 per quarter (max 2 quarters) as long as annual gross receipts do not exceed \$1 million.

Example

A restaurant with indoor and takeout operations pre-Covid, mandated to reduce occupancy could still qualify, even if overall revenue increased due to curbside pickups, delivery, and takeout sales while indoor dining suffered.



OUR ERC CLIENTS

INCLUDE:

RESTAURANTS

LAW FIRMS

DENTISTS

DOCTORS

CONTRACTORS PHARMACIES

TRAVEL AGENCIES

NON-PROFITS

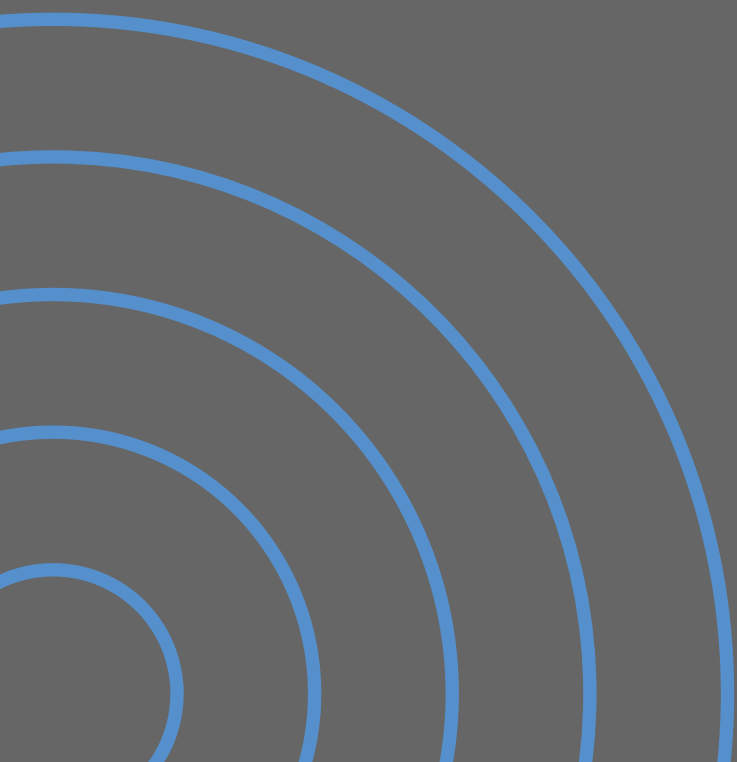
CAR DEALERSHIPS

GYMS

RETAIL STORES

MANUFACTURERS

a+t



COMMON MISCONCEPTION:

“Our business flourished during the pandemic. Our sales were up year over year. I don't think we qualify for this program.”

ERC qualification does not only depend upon a company's reduction in gross receipts during the pandemic. Another way to qualify for the credit is to demonstrate that a business segment, that was greater than 10% of the whole company, was more than 10% adversely affected by the various government COVID shutdown laws limiting businesses and partially suspending operations.

Many companies flourished in one sector of their business, which drove their overall gross receipts up, but were hurt in another sector.

We like to ask clients, " Give us your indoor dining equivalent" when referring to a restaurant that flourished during COVID due to curbside pickups and delivery sales, but, their indoor dining suffered due to the capacity shutdown laws.



COMMON MISCONCEPTION:

"Like some of the other government incentive programs, it's too late, we missed the deadline."

False. The statute of limitations to claim the employee retention credits for applicable quarters in 2020 begin to expire in July 2023, and in April of 2024 for applicable quarters in 2021

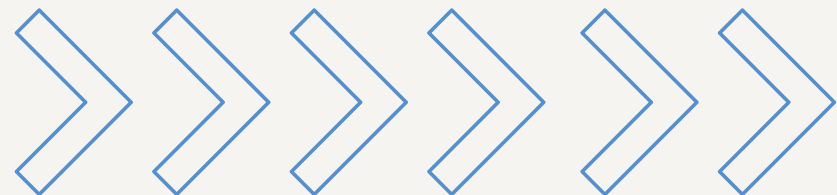


COMMON MISCONCEPTION:

“We received PPP funds. It's my understanding that we can't also claim the employee retention credit.”

The CARES Act was amended allowing PPP recipients to also take advantage of the ERC program.

For such companies, it is true that we cannot use the same wages that were paid with their forgiven PPP loans to calculate their ERC's. However, there are typically plenty of excess wages during the qualifying quarters with PPP interplay to generate robust ERC's in those quarters.



YOUR BUSINESS COULD QUALIFY FOR THE EMPLOYEE RETENTION CREDIT

If your business qualifies for the ERC, the IRS will send a check directly to you, and you can claim the credit retroactively. This is a great opportunity to get an influx of cash for your business! Abedian and Totlian can assist your company in getting the ERC; contact us to learn more and to see if your business qualifies.

