

Employee Retention Credit



What is it?

Refundable tax credit for employers equal to 50% of qualified wages that employers pay to employees after March 12, 2020, and before January 1, 2021.

Qualified Wages

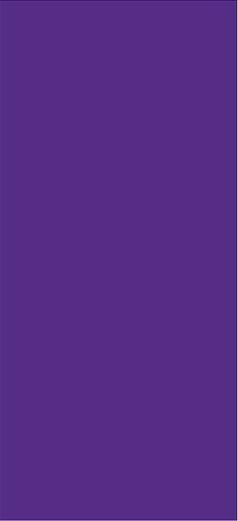
- Depends on how many employees an eligible employer has.
- If an employer averaged more than 100 full-time employees during 2019, qualified wages in 2020 are the wages including certain health care costs (up to \$10,000 per employee) paid to employees that are not provided with services because operations were suspended or due to the decline in gross receipts. These employers can only count wages up to the amount that the employee would have been paid for working an equivalent duration during the 30 days immediately preceding the period of economic hardship.

Eligibility

- Tax-exempt organizations, are eligible for the credit if they operate a trade or business during calendar year 2020 and experience either:
 - the full or partial suspension of the operation of their trade or
 - business during any calendar quarter because of governmental orders limiting commerce, travel or group meetings due to COVID-19, or a significant decline in gross receipts.

Claiming the Credit

- Eligible employers will report their total qualified wages and the related health insurance costs for each quarter on their quarterly employment tax returns, which will be Form 941 for most employers, beginning with the second quarter.
 - The credit is taken against the employer's share of social security tax but the excess is refundable under normal procedures.
 - Eligible employers can also request an advance of the Employee Retention Credit by submitting Form 7200.



Impact of Other Credit and Relief Provisions

- If an employer receives a [Small Business Interruption Loan](#) under the Paycheck Protection Program, authorized under the CARES Act, then the employer is not eligible for the Employee Retention Credit.
- Wages for this credit do not include wages for which the employer received a tax credit for paid sick and family leave under the [Families First Coronavirus Response Act](#).
- Wages counted for this credit can't be counted for the credit for paid family and medical leave under section 45S of the Internal Revenue Code.
- Employees are not counted for this credit if the employer is allowed a [Work Opportunity Tax Credit](#) under section 51 of the Internal Revenue Code for the employee.