



Small Business Tax Credits

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Employee Retention Credit



If your business had decreased operations due to COVID-19, you may qualify for the Employee Retention Credit

www.irs.gov/coronavirus





Employee Retention Credit

Coronavirus Aid, Relief, and Economic Security Act
(CARES Act)

Relief Act of 2020

American Rescue Plan (ARP) of 2021



Employee Retention Credit

March 12, 2020 through
December 31, 2020

A fully refundable tax credit for employers equal to 50 percent of qualified wages (including certain health plan expenses) that Eligible Employers pay their employees.

January 1, 2021 through
December 31, 2021

A fully refundable tax credit for employers equal to 70 percent of qualified wages (including certain health plan expenses) that Eligible Employers pay their employees.



Eligible Employer

Carrying on a trade or business that:

1. Was fully or partially suspended by government order due to COVID-19 (2020 or 2021), or
2. Gross Receipts:
 - For 2020, a significant decline in gross receipts (defined as period beginning with calendar quarter in which gross receipts are less than 50 percent of gross receipts in the same calendar quarter in 2019 and ending in the calendar quarter after the first calendar quarter in which gross receipts are greater than 80 percent of gross receipts in the same calendar quarter in 2019).
 - For 2021, a decline in gross receipts (defined as quarter in which gross receipts are less than 80 percent of the same calendar quarter in 2019).
3. Recovery startup business (3rd & 4th quarter 2021)
 - Self-employed individuals are not eligible for their own services and earnings
 - Household Employees are not eligible for the employee retention credit



Qualified Wages

For 2021:

Employers with 500 or less FT employees:

- Credit based on wages paid to *all* employees, regardless of whether they provided services.

Employer with more than 500 FT employees:

- Credit is based on wages paid only to employees who did not provide services due to a suspension or decline in gross receipts

Severely financially distressed employer (Q3 & Q4 2021)

- Credit is based on wages paid to all employees during 3rd and 4th quarter 2021

*For 2020, the threshold was 100 or less FT employees or more than 100 FT employees.



Claiming the credit

- Report qualified wages and credits for each calendar quarter on federal employment tax return.
- Tax credit may be claimed against the employer share of Social Security tax for wages paid 3/13/2020– 6/30/2021 and against employer share of Medicare tax for wages paid 7/1/2021– 12/31/2021.
- Tax credit is refundable and employer may reduce employment tax deposits in anticipation of the credit
- If credit exceeds payroll deposits, small employers may request an advance refund per Form 7200, Advance Payment of Employer Credits Due To COVID-19.



Impact of other credit provisions

Small Business Loan – Paycheck Protection Program (PPP)

- Retroactive to the March 27, 2020, enactment of the CARES Act, the law now allows employers who received Paycheck Protection Program (PPP) loans to claim the ERC for qualified wages that are not treated as payroll costs in obtaining forgiveness of the PPP loan.



Impact of other credit provisions

- 41 Credit for increasing research activities
- 45A Indian Employment Credit
- 45P Employer wage credit for members of uniformed services
- 45S Employer credit for paid family and medical leave
- 51 Amount of credit (Amount of Work Opportunity Credit)
- 1396 Empowerment zone employment credit
- Small Business Loan – Paycheck Protection Program (PPP)
- **Employee Retention Credit for Tax-Exempt Employers Affected by Qualified Disasters**



Impact of other credit provisions – ARP

Employer cannot claim the ERC for wages that were used in payroll costs for determining certain grants, including:

- Shuttered Venue Operator Grant under section 324 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act;
- Restaurant revitalization grants under section 5003 of the American Rescue Plan Act of 2021; or
- PPP loans



Resources

<https://www.irs.gov/newsroom/new-law-extends-covid-tax-credit-for-employers-who-keep-workers-on-payroll>

[IRS provides guidance for employers claiming the Employee Retention Credit for first two quarters of 2021](#)

[FAQs: Employee Retention Credit under the CARES Act](#)

[Employers May Be Able to Claim the Employee Retention Credit and Have a PPP Loan](#)

[Form 7200, Advance Payment of Employer Credits Due to COVID-19](#)



Credit for Paid Leave for Employee Vaccinations

Under the American Rescue Plan, employers are entitled to tax credits for providing paid leave to employees who take time off related to COVID-19 vaccinations.



www.irs.gov/coronavirus

<https://www.irs.gov/newsroom/tax-credits-for-paid-leave-under-the-american-rescue-plan-act-of-2021-for-leave-after-march-31-2021>



Paid Leave Credit for Vaccines — The American Rescue Plan Act of 2021 (ARP) allows small and midsize employers, and certain governmental employers, to claim refundable tax credits that reimburse them for the cost of providing paid sick and family leave to their employees due to COVID-19, including leave taken by employees to receive or recover from COVID-19 vaccinations. The ARP tax credits are available to eligible employers that pay sick and family leave for leave from April 1, 2021, through September 30, 2021. For more Information see our [fact sheet](#).



Paid Sick and Family Leave

If you have an employee unable to work due to the coronavirus, you may be entitled to receive a credit in the full amount of the required sick leave and family leave.



<https://www.irs.gov/newsroom/irs-updates-faqs-on-paid-sick-leave-credit-and-family-leave-credit>



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A Child Care Credit is available for businesses with employees who are unable to work because they must care for a child whose school or daycare is closed due to the coronavirus.



www.irs.gov/coronavirus



Work Opportunity Tax Credit



Consider giving a veteran an employment opportunity.

It may qualify your business for the Work Opportunity Tax Credit.



There are many ways to honor veterans:

www.irs.gov/wotc





More ARP

**Monthly Child Tax
Credit payments
begin July 15.**



irs.gov/childtaxcredit2021

**Eligible families will receive
monthly payments of up to
\$300 per child under 6 and up to
\$250 per child age 6 and above.**



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Charities and Nonprofits

International Taxpayers

Government Entities

Tax information, tools, and resources for businesses and self-employed.

Employer ID Number (EIN)

Employment Tax

Estimated Tax

Foreign Account Tax Compliance Act (FATCA)

Prepare Your Taxes

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Business Types

[Sole Proprietorship](#)
Someone who owns an unincorporated business by themselves.

[Partnership](#)
A relationship existing between two or more persons who join to carry on a trade or business.

[International Business](#)
Foreign businesses with activities in the U.S. or domestic businesses with activities outside the U.S.

[Corporation](#)
A legal entity that is separate and distinct from its owners.

[S Corporation](#)
Corporations that elect to pass corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes.

[Limited Liability Company or LLC](#)
A corporate structure whereby the members of the company cannot be held personally liable for the company's debts or liabilities.

Disaster Assistance and Emergency Relief



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**Third Economic Impact
Payments**



Recovery Rebate Credit



Thank You