



Coronavirus Tax Relief for Employers and Business Owners

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July 28, 2020



The plan for today

Employee Retention Credit (ERC)

Claiming the Credits

Your questions



What is the Employee Retention Credit?

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



Eligible Employer

Carry on a trade or business in 2020 that either:

- 1. Was fully or partially suspended by government order due to COVID-19**
- 2. Experiences a significant decline in gross receipts**

Not eligible:

- Governmental employers**
- Self-employed individuals for own services and earnings**



Operations Fully or Partially Suspended

- **Trade or business operations fully or partially suspended during any calendar quarter in 2020 due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19**



Significant Decline in Gross Receipts

- **1st quarter in which gross receipts for a calendar quarter in 2020 are less than 50% of its gross receipts for the same calendar quarter in 2019**
- **A significant decline in gross receipts ends with the first calendar quarter that follows the first calendar quarter for which the employer's 2020 gross receipts for the quarter are greater than 80% of its gross receipts for the same calendar quarter of 2019.**



Qualified Wages

- **Paid to employees after March 12, 2020, and before January 1, 2021.**
- **Depends on the average number of full-time employees employed during 2019.**
- **Includes qualified health plan costs that are allocable to wages.**



Qualified Wages

Wages based on the average number of a business's employees in 2019.

Employers with less than 100 FT employees:

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

Employers with more than 100 FT employees:

- **The credit is allowed *only* for wages paid to employees for the time when they are not providing services .**



Calculate the Credit

- **Equal to 50% of qualified wages per employee**
- **Maximum amount of qualified wages per employee for all calendar quarters is \$10,000.**
- **Maximum credit per employee is \$5000**



Impact of Other Credit Provisions

- **Small Business Loan – Paycheck Protection Program (PPP)**
- **Paid Family and Sick Leave Credit – Families First**
- **Work Opportunity Credit**
- **Section 45S**



Refundable Tax Credits

- **Tax Credits For Paid Sick Leave**
- **Tax Credits for Paid Family Leave**



Claiming These Credit

- **Report qualified wages and credits for each calendar quarter on federal employment tax returns.**
- **Tax credit may be claimed against the employer portion of certain employment taxes.**
- **If credit exceeds payroll deposit employer may apply for advance refund per Form 7200, Advance Payment of Employer Credits Due To COVID-19.**



Recordkeeping

Maintain:

- **Records and documents**
- **Form 941, Employer's Quarterly Federal Tax Returns**
- **Form 7200, Advance Payment of Employer Credits**
Due to COVID-19



Resources

IR-2020-62, March 31, 2020 IRS: Employee Retention Credit available for many businesses financially impacted by COVID-19

FAQs: Employee Retention Credit under the CARES Act

Form 7200, Advance Payment of Employer Credits Due to COVID-19

Relief from Penalty for Failure to Deposit Employment Taxes

Publication 5419



Resources

- **Coronavirus Tax Relief | Internal Revenue Service**
- **<http://www.irs.gov/coronavirus>**
- **COVID-19-Related Tax Credits for Required Paid Leave Provided by Small and Midsize Businesses FAQs**
- **<https://home.treasury.gov/coronavirus>**
- **DOL Families First Coronavirus Response Act: Questions and Answers**



Questions?