

Employee Retention Tax Credit

The Employee Retention Tax Credit (ERTC) is a refundable employment tax credit (i.e., cash back) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. While initially the credit was only available for 2020, it has since been extended through the end of September 2021 for qualified companies with qualified wages.

Who qualifies?

There are two tests to determine if a company qualifies: 1) a Gross Receipts Test, which has many different nuances because of the extensions of the credit, and 2) a Suspension Test because of government shutdowns. Partial closure of a business qualifies and includes limited operations for various reasons because of COVID-19, one of which could be because of a supply chain shortage as a result of a supplier shutdown.

A business qualifies for the ERTC if it

- ▶ had operations that were fully or partially suspended during any calendar quarter in 2020 because of orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) as a result of COVID-19; or
- ▶ experienced a significant decline in gross receipts during the calendar quarter.

How is the benefit calculated?

In 2020, the benefit is calculated as a 50% credit on the first \$10,000 in qualified annual wages. In 2021, the benefit is calculated as a 70% credit on the first \$10,000 in qualified wages per quarter, excluding the fourth quarter of 2021.

What if we received a PPP loan?

The law was changed at the end of 2020 to allow a company to take both the Paycheck Protection Program (PPP) loan and ERTC. While the same wages that were paid by the PPP loan can't be used to calculate the ERTC, it is very likely that additional wages are available.

Does my company need to be a specific size to consider the credit?

No, any size business that has W-2 employees who are separate from the business owner and owner family members can qualify. An ideal company is 10 to 500 employees, as businesses with more than 500 jobs are limited to wages paid while an employee was not performing services.

What if I own multiple businesses and one had a decrease in revenue while the other did not?

There are attribution rules that the Internal Revenue Service (IRS) requires to be considered when qualifying both the size of your business as well as revenue impacts. If multiple entities are part of a control group in the eyes of the IRS, they must be consolidated for ERTC qualification purposes.

What sort of results have you seen with the credit?

Ryan has helped companies with as few as 10 employees obtain \$260,000. Given the credit can be as valuable as \$26,000 per qualifying employee, we encourage all businesses to allow Ryan to perform a benefit analysis.

How long does it take to get the credit?

Because of an IRS backlog, refund checks are currently being issued approximately eight months from the date of claim.



Contact our specialists. We can help.

We have dedicated teams to assist you through the complicated analysis.

Contact ERTC@ryan.com, and one of our specialists will set up an initial discussion at no cost to you.

Award-Winning Tax Services

For additional information
1.855.RYAN.TAX
ryan.com