

Employee Retention Credit

Speaker

Christine Ulibarri, CPA, CCICP

Shareholder, Tax, Phoenix

culibbarri@beachfleischman.com



Disclaimer

This presentation is based on relevant government guidance available as of September 30, 2021. This presentation includes our best interpretation of the guidance available today.

Consult with your tax advisor.

Employee --- **R**etention --- **C**redit

Employee Retention Credit (ERC)

Authoritative guidance on ERC:

3/27/20	CARES Act
12/27/20	Consolidated Appropriations Act
3/1/21	IRS Notice 2021-20
3/11/21	American Rescue Plan Act of 2021
4/2/21	IRS Notice 2021-23
8/4/21	IRS Notice 2021-49
8/10/21	Rev Proc 2021-33
X/XX/??	Infrastructure Bill (HR 3684)

Employee Retention Credit (ERC)

The Consolidated Appropriations Act (CAA), which was passed in late 2020 did two things:

- Removed the prohibition against companies who receive a PPP loan from taking the ERC
- Extended the ERC through June 30, 2021 with some modifications to the rules for 2021

Employee Retention Credit (ERC)



The American Rescue Plan Act of 2021 (ARPA), which was passed in March 2021 did few more things:

- Added a new category of eligible businesses: Recovery Start Up Businesses (RSB)
- Added revised rules for a business deemed a Severely Financially Distressed Employer
- Extended the ERC through December 31, 2021
- Extended the statute of limitations for IRS assessment from 3 to 5 years

Employee Retention Credit (ERC)

What is a Recovery Startup Business?

- Operation of trade or business began after February 15, 2020 (could have been legally organized beforehand)
- Average annual gross receipts of less than \$1,000,000 for the three taxable years ending prior to the quarter claiming the credit
- Does not otherwise qualify (partial shutdown or gross receipts tests)
- Can claim ERC for Q3 and Q4 of 2021
- Maximum credit for each quarter is \$50,000

Employee Retention Credit (ERC)

What is a Severely Financially Distressed Employer (SFDE)?

- A business with a decline in 2021 Q3 or Q4 gross receipts of more than 90% compared to the same calendar quarter of 2019 even if the business is a large employer (more than 500 FTE's)
- An SFDE may treat all wages up to the \$10,000 limitation as qualified ERC wages
- Whether employees are performing services is not relevant
- Effective for wages paid between July 1, 2021 and December 31, 2021

ERC – IRS Notice 2021-49

- The credit reduces the wage/health insurance deduction on the tax return for the tax year of the credit.
- If you file retroactive claims for 2020, amended 2020 company tax returns (and related individual returns for an s-corp or partnership) will be required.
- There will be tax due, and potentially interest and penalties associated with the amended returns.

ERC – IRS Notice 2021-49

- Tips are eligible wages for purposes of ERC
- Clarified the related party restrictions
- Provided guidance on the gross receipts rule for:
 - acquisitions
 - new businesses formed in 2020



ERC – IRS Rev Proc 2021-33

- Excluded the following amounts from Gross Receipts when determining eligibility:
 - PPP Loan forgiveness amount
 - Shuttered Venue Operators Grants
 - Restaurant Revitalization Grants



ERC – BOLO

Be on the lookout for what happens with the current Infrastructure Bill.

- Current version would end the ERC program on September 30, 2021. The only exception would be for wages paid by an eligible Recovery Startup Business.
- Congressional action could come at any time
- Or not....

Employee Retention Credit (ERC)

The ERC is computed using eligible wages and allocable health care costs:

- Eligible wages are generally gross FICA wages paid during the relevant period
- Allocable health care costs are costs for insurance that are related to the relevant period (could be paid earlier or later)

ERC Eligibility



- The credit is available for:
 - March 12, 2020 – December 31, 2020 and
 - January 1, 2021 – December 31, 2021
- The eligibility and credit computations are slightly different for 2020 and 2021
- We will address each year individually

2020

The following slides are related to the ERC for 2020, and 2020 only.

Before we start talking about 2021, you will see another blue slide like this.

Do not confuse the rules for each year.

ERC 2020 - Eligibility

Two different ways to be eligible for the 2020 credit:

- Business had operations that were fully or partially suspended during any calendar quarter in 2020 due to government COVID-related orders. The credit only applies to wages paid during the portion of the quarter that the business is suspended, not the entire quarter, OR
- Business experienced a significant decline in gross receipts during any quarter in 2020. An employer is considered to have a significant decline in gross receipts for the period beginning with the first quarter in 2020 for which its gross receipts are less than 50 percent of gross receipts from the same quarter in 2019 and ending with the earlier of January 1, 2021 or the first quarter after the quarter for which gross receipts are greater than 80 percent of gross receipts for the same quarter in 2019.

ERC 2020 - Eligibility

- For the first bullet, the company should document the specific government orders that caused them to be fully or partially shut down
- Partial shutdown – nonessential operations must represent more than 10% of revenue in the same period in 2019
- Shut down could also be due to lack of materials from suppliers who were shut down
- Only wages and allocable health costs during the shut down period are eligible for the ERC

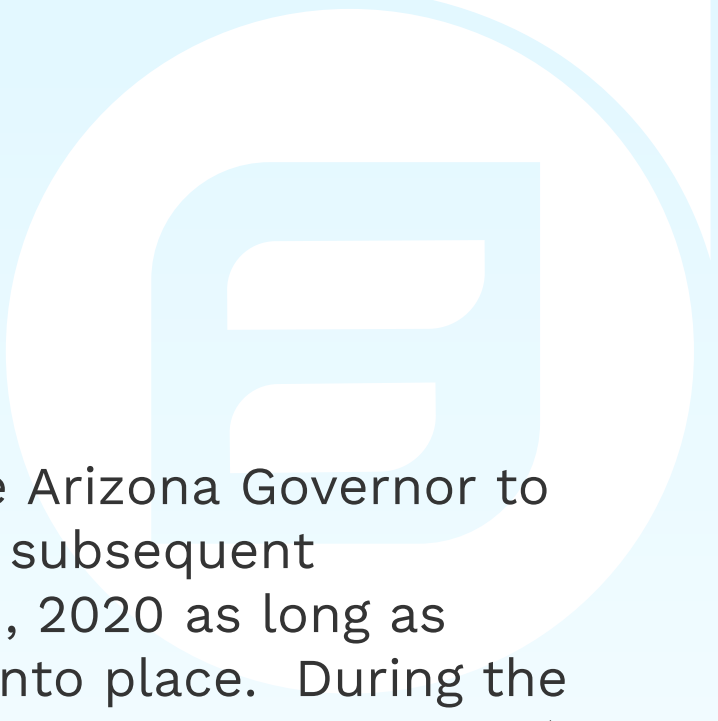
ERC 2020 - Eligibility

Partial Shutdown Example #1:

A restaurant that is primarily a dine-in operation is limited by an Executive Order from the Arizona Governor to only take out orders on March 20, 2020. On May 11, 2020, a subsequent Executive Order allows dine-in operations to resume at 50% capacity through December 31, 2020.

This restaurant is deemed to have essential (take out) and nonessential (dine-in) operations. The nonessential operations that are restricted by government order (dine-in) represented more than 10% of revenues in 2019. This restaurant has experienced an eligible partial shutdown for the period March 20, 2020 through December 31, 2020.

ERC 2020 - Eligibility




Partial Shutdown Example #2:

A traditional dentist is limited by an Executive Order from the Arizona Governor to only perform emergency services beginning March 21, 2020. A subsequent Executive Order allows all dental services to resume on May 1, 2020 as long as proper PPE, cleaning and social distancing measures are put into place. During the 1st and 2nd quarter of 2019, non-emergency services (cleanings and preventive care) represented over 40% of the dentist's revenues.

This dentist is deemed to have essential (emergency) and nonessential (routine) operations. The nonessential operations that are restricted by government order (routine) represented more than 10% of revenues in 2019. This dentist has experienced an eligible partial shutdown for the period March 21, 2020 through April 30, 2020.

ERC 2020 - Eligibility



Two different ways to be eligible for the 2020 credit:

- Business had operations that were fully or partially suspended during any calendar quarter in 2020 due to government COVID-related orders. The credit only applies to wages paid during the portion of the quarter that the business is suspended, not the entire quarter, OR
- Business experienced a significant decline in gross receipts during any quarter in 2020. An employer is considered to have a significant decline in gross receipts for the period beginning with the first quarter in 2020 for which its gross receipts are less than 50 percent of gross receipts from the same quarter in 2019 and ending with the earlier of January 1, 2021 or the first quarter after the quarter for which gross receipts are greater than 80 percent of gross receipts for the same quarter in 2019.

ERC 2020 - Eligibility

- For the gross receipts test, the company will have to look at 2020 and 2019 gross receipts
- Use the accounting method that the company uses for internal accounting or their income tax method of accounting

ERC 2020 - Eligibility

EXAMPLE 1							EXAMPLE 2				
2019							2019				
Q1	Q2	Q3	Q4	Total			Q1	Q2	Q3	Q4	Total
50,000	60,000	70,000	80,000	260,000			50,000	60,000	70,000	80,000	260,000
2020							2020				
Q1	Q2	Q3	Q4	Total			Q1	Q2	Q3	Q4	Total
75,000	25,000	35,000	60,000	195,000			75,000	25,000	58,000	75,000	233,000
Relationship of 2020 to 2019							Relationship of 2020 to 2019				
Q1	Q2	Q3	Q4	Total			Q1	Q2	Q3	Q4	Total
150%	42%	50%	75%	75%			150%	42%	83%	94%	90%
NOT ELIGIBLE	Eligible Qtr	Eligible Qtr	Eligible Qtr				NOT ELIGIBLE	Eligible Qtr	Eligible Qtr	NOT ELIGIBLE	

ERC 2020 – Compute the Credit

Costs eligible for the credit are dependent on how many full-time employees (EEs) you had in 2019.

Only include EEs who average more than 30 hours/week or 130 hours/month

Formula:

$$\frac{\text{Number of full-time EEs in each calendar month in 2019}}{12}$$

ERC 2020 – Compute the Credit

How do you determine whether an employee is a full-time employee in a given month? 130 hours/month test

	A	B	C	D	E	F	G
						Full-time employees	
1	Last Name	First Name	Hours	Check Date	Total Hrs		
2	Ant	Adam	74.3	1/3/2019			
3	Ant	Adam	65.8	1/16/2019			
4	Ant	Adam	75.5	1/30/2019	215.6	1	Formula: If E4>130, then "1", if not "0"
5	Brown	Marco	72.7	1/3/2019			
6	Brown	Marco	56.4	1/16/2019			
7	Brown	Marco	49.4	1/30/2019	178.5	1	Formula: If E7>130, then "1", if not "0"
8	Castro	Ruby	30.15	1/3/2019			
9	Castro	Ruby	32.65	1/16/2019			
10	Castro	Ruby	23.2	1/30/2019	86	0	Formula: If E10>130, then "1", if not "0"

In Excel, the formula looks like this: =IF(E4>130,1,0)

ERC 2020 – Compute the Credit

How do you determine whether an employee is a full-time employee in a given month? 30 hours/week test

	A	B	C	D	E	F	G	H
	Last Name	First Name	Hours	Check Date	Hours per week	Month average	Full-time employees	
1	Ant	Adam	74.3	1/3/2019	37.15			
2	Ant	Adam	65.8	1/16/2019	32.9			
3	Ant	Adam	75.5	1/30/2019	37.75	35.93	1	Formula: If F4>30, then "1", if not "0"
4	Brown	Marco	72.7	1/3/2019	36.35			
5	Brown	Marco	56.4	1/16/2019	28.2			
6	Brown	Marco	49.4	1/30/2019	24.7	29.75	0	Formula: If F7>30, then "1", if not "0"
7	Castro	Ruby	30.15	1/3/2019	15.075			
8	Castro	Ruby	32.65	1/16/2019	16.325			
9	Castro	Ruby	23.2	1/30/2019	11.6	14.33	0	Formula: If F10>30, then "1", if not "0"
10								

In Excel, the formula looks like this: =IF(F4>30,1,0)

ERC 2020 – Compute the Credit

Compile the number of full-time employees by month and compute the average. If you have multiple locations/businesses they must be aggregated:

	Location A
January	25
February	23
March	23
April	28
May	24
June	25
July	29
August	23
September	20
October	18
November	19
December	28
	285
Average	23.8

	Location A	Location B	Location C	Location D	Total
January	25	20	21	6	72
February	23	12	14	6	55
March	23	13	15	6	57
April	28	11	12	4	55
May	24	11	11	4	50
June	25	10	11	3	49
July	29	21	22	5	77
August	23	10	10	4	47
September	20	8	8	4	40
October	18	7	8	4	37
November	19	13	8	4	44
December	28	17	19	5	69
					652
Average full-time employees in 2019					54.3

ERC 2020 – Compute the Credit

- Employers with 100 or fewer full-time EEs in 2019 can use all wages (including health care costs) paid: during the affected period/quarter and after March 12, 2020, minus any FFCRA wages.
- Employers with more than 100 employees can only take the credit on wages and health care costs paid to/for employees who were not working (literally paid while staying home and not providing services).

ERC 2020 – Compute the Credit

The credit is the first 50% of the first \$10,000 in wages and allocable health care costs paid during the affected period/quarter to each eligible employee

Maximum eligible wages between March 12 – December 31, 2020 is \$10,000.

Maximum credit for 2020 is \$5,000 per employee

ERC 2020 – Compute the Credit

Important restriction #1:

Wages do not include wages paid under the family and/or sick leave provisions of FFCRA, the Families First Coronavirus Response Act. In addition, wages claimed for employees under the Work Opportunity Credit do not qualify as wages that may increase this credit.

ERC 2020 – Compute the Credit

Important restriction #2:

Wages paid to relatives or family members do not qualify. With entities, one applies these relationship rules depending on a particular level of ownership (>50%).

See question #59: <https://www.irs.gov/newsroom/covid-19-related-employee-retention-credits-determining-qualified-wages-faqs>

ERC 2020 – Compute the Credit

59. Are wages paid by an employer to employees who are related individuals considered qualified wages?

No. Wages paid to related individuals, as defined by section 51(i)(1) of the Internal Revenue Code (the "Code"), are not taken into account for purposes of the Employee Retention Credit. A related individual is any employee who has of any of the following relationships to the employee's employer who is an individual:

- A child or a descendant of a child;
- A brother, sister, stepbrother, or stepsister;
- The father or mother, or an ancestor of either;
- A stepfather or stepmother;
- A niece or nephew;
- An aunt or uncle;
- A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.

In addition, if the Eligible Employer is a corporation, then a related individual is any person that bears a relationship described above with an individual owning, directly or indirectly, more than 50 percent in value of the outstanding stock of the corporation.

If the Eligible Employer is an entity other than a corporation, then a related individual is any person that bears a relationship described above with an individual owning, directly or indirectly, more than 50 percent of the capital and profits interests in the entity.

ERC 2020 – Compute the Credit

Important restriction #3:

Any wages used in the computation of the ERC are not eligible covered costs on the application for forgiveness of a PPP loan.

You can see how retroactively claiming the credit for 2020 gets interesting when you have already received forgiveness. IRS Notice 2021-20 provides guidance.

ERC 2020 – Compute the Credit

Important restriction #4:

There are aggregation rules that can affect parent-subsidary or brother-sister groups, or a combined group of corporations. These complex rules can also reach partnerships, trusts and estates. Aggregation can affect qualification in such areas as to whether there is a full or partial shutdown, whether a company has $<$ or $>$ 100 employees, as well as measuring the decline in gross receipts.

	A	B	C	D	E	F	G	H	I	J	K
1		Sample Company - Restaurant									
2		Employee Retention Credit									
3		Calendar Year 2020									
4											
5											
6				Note 1			ERC Eligible				
7			WAGES	FFCRA	Health Ins		WAGES	Health Ins			CREDIT
8			Q3	Q3	Q3		Q3	Q3	Total		Q3
9							Note 2				
10		Albert	12,389.76	-	350.00		9,650.00	350.00	10,000.00		5,000.00
11		Bobby	3,390.60	-	-		3,390.60	-	3,390.60		1,695.30
12		Consuela	8,600.00	770.00	350.00		7,830.00	350.00	8,180.00		4,090.00
13		Danny	6,520.91	-	350.00		6,520.91	350.00	6,870.91		3,435.46
14		Eleanor	960.00	-	-		960.00	-	960.00		480.00
15		Fred - Owner	15,000.00	-	350.00		-	-	-		-
16		Gregorio	13,541.65	-	350.00		9,650.00	350.00	10,000.00		5,000.00
17		Hallie	7,167.52	-	350.00		7,167.52	350.00	7,517.52		3,758.76
18		Jamal	8,010.63	1,200.00	350.00		6,810.63	350.00	7,160.63		3,580.32
19		Kristi - Fred's child	8,423.26	-	350.00		-	-	-		-
20			84,004.33	1,970.00	2,800.00		51,979.66	2,100.00	54,079.66		27,039.83
21											
22	Note 1	FFCRA includes sick and family leave wages for which FFCRA credits were claimed on the 941									
23											
24	Note 2	=MIN(C10-D10,10000-E10) Formula uses wages less FFCRA, but also prioritizes the use of Health Insurance premiums									
25											

ERC 2020 – Claim the Credit



- Claim the credit on Form 941-X
- Complete a Form 941-X for each quarter:
<https://www.irs.gov/pub/irs-pdf/f941x.pdf>
- Must complete the 941 worksheet to determine the proper amounts to report on the 941-X. It can be found on pages 22-23 of the Instructions:
<https://www.irs.gov/pub/irs-pdf/i941x.pdf>

ERC 2020 – Claim the Credit

- The worksheet computes a “refundable portion” and “nonrefundable portion” of the ERC
- When you are filing a 941-X, for a quarter where all taxes have been previously paid, the entire ERC will be refunded to you, even though the worksheet requires the computation of both a refundable and nonrefundable portion
- The distinction is for the government: which bucket of money your refund comes from.

ERC 2020 – Claim the Credit

- The nonrefundable portion only comes into play if you are claiming the ERC currently (on an original 941) in 2021, and have reduced cash payroll tax deposits in anticipation of ERC credits.

ERC 2020

- For more details on the ERC 2020, there is an article on our website:

<https://beachfleischman.com/tax-bites/2020/04/employee-retention-credit/>

- The IRS also has extensive FAQs on the ERC:

<https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>



SWITCHING GEARS TO 2021

Please note that the slides from this point forward are related to the ERC for 2021.

Do not confuse the rules for each year.

ERC 2021 - Eligibility

Three different ways to be eligible for the 2021 credit:

- Business had operations that were fully or partially suspended in 2021 due to government COVID-related orders. The credit only applies to wages paid during the portion of the quarter that the business is suspended, not the entire quarter, OR
- Business experienced a significant decline in gross receipts in 2021. An employer is considered to have a significant decline in gross receipts only for the quarters for which its gross receipts are less than 80 percent of gross receipts from the same quarter in 2019, OR
- A Recovery start-up business (RSB) or Severely Financially Distressed Employer (SFDE)

ERC 2021 - Eligibility

- For the first bullet, the company should document the specific government orders that caused them to be fully or partially shut down
- Partial shutdown – nonessential operations are typically more than 10% of revenue
- Only wages and allocable health costs during the shut down period are eligible for the ERC

ERC 2021 - Eligibility

- For the second bullet, the company will have to look at 2021, 2020 and 2019 gross receipts
- Use the accounting method that the company uses for internal accounting or their income tax method of accounting
- There is a lookback rule, that says if you don't meet the test for a quarter you can look at the immediately preceding quarter

ERC 2021 - Eligibility

EXAMPLE 1					The example at right is a demonstration of the allowable lookback rule.		EXAMPLE 2		
2019							2019		
Q1	Q2						Q4 2019	Q1 2019	Q2 2019
50,000	60,000						80,000	50,000	60,000

ERC 2021 - Eligibility

- For the third bullet bullet, see slides at the beginning of this presentation that outlines the definition and rules for a Recovery Startup Business or a Severely Financially Distressed Employer.

ERC 2021 – Compute the Credit

Costs eligible for the credit are dependent on how many full-time employees (EEs) you had **in 2019**.

Only include EEs who average more than 30 hours/week or 130 hours/month

Formula:

$$\frac{\text{Number of full-time EEs in each calendar month in 2019}}{12}$$

Same formula, same answer as the 2020 slide.

ERC 2021 – Compute the Credit

How do you determine whether an employee is a full-time employee in a given month? 130 hours/month test

	A	B	C	D	E	F	G
						Full-time employees	
1	Last Name	First Name	Hours	Check Date	Total Hrs		
2	Ant	Adam	74.3	1/3/2019			
3	Ant	Adam	65.8	1/16/2019			
4	Ant	Adam	75.5	1/30/2019	215.6	1	Formula: If E4>130, then "1", if not "0"
5	Brown	Marco	72.7	1/3/2019			
6	Brown	Marco	56.4	1/16/2019			
7	Brown	Marco	49.4	1/30/2019	178.5	1	Formula: If E7>130, then "1", if not "0"
8	Castro	Ruby	30.15	1/3/2019			
9	Castro	Ruby	32.65	1/16/2019			
10	Castro	Ruby	23.2	1/30/2019	86	0	Formula: If E10>130, then "1", if not "0"

In Excel, the formula looks like this: =IF(E4>130,1,0)

ERC 2021 – Compute the Credit

How do you determine whether an employee is a full-time employee in a given month? 30 hours/week test

	A	B	C	D	E	F	G	H
	Last Name	First Name	Hours	Check Date	Hours per week	Month average	Full-time employees	
1	Ant	Adam	74.3	1/3/2019	37.15			
2	Ant	Adam	65.8	1/16/2019	32.9			
3	Ant	Adam	75.5	1/30/2019	37.75	35.93	1	Formula: If F4>30, then "1", if not "0"
4	Brown	Marco	72.7	1/3/2019	36.35			
5	Brown	Marco	56.4	1/16/2019	28.2			
6	Brown	Marco	49.4	1/30/2019	24.7	29.75	0	Formula: If F7>30, then "1", if not "0"
7	Castro	Ruby	30.15	1/3/2019	15.075			
8	Castro	Ruby	32.65	1/16/2019	16.325			
9	Castro	Ruby	23.2	1/30/2019	11.6	14.33	0	Formula: If F10>30, then "1", if not "0"

In Excel, the formula looks like this: =IF(F4>30,1,0)

ERC 2021 – Compute the Credit

Compile the number of full-time employees by month and compute the average. If you have multiple locations/businesses they must be aggregated:

	Location A
January	25
February	23
March	23
April	28
May	24
June	25
July	29
August	23
September	20
October	18
November	19
December	28
	285
Average	23.8

	Location A	Location B	Location C	Location D	Total
January	25	20	21	6	72
February	23	12	14	6	55
March	23	13	15	6	57
April	28	11	12	4	55
May	24	11	11	4	50
June	25	10	11	3	49
July	29	21	22	5	77
August	23	10	10	4	47
September	20	8	8	4	40
October	18	7	8	4	37
November	19	13	8	4	44
December	28	17	19	5	69
					652
Average full-time employees in 2019					54.3

ERC 2021 – Compute the Credit

- Employers with 500 or fewer full-time EEs in 2019 can use all wages (including health care costs) paid: during the affected period/quarter, minus any FFCRA wages.
- Employers with more than 500 employees can only take the credit on wages and health care costs paid to/for employees who were not working (literally paid while staying home and not providing services).

ERC 2021 – Compute the Credit

The credit is the first 70% of the first \$10,000 in wages and allocable health care costs paid during the affected period/quarter to each eligible employee

Credit is computed independently for all quarters of 2021

Maximum eligible wages in 2021 is \$10,000 per quarter

Maximum credit for 2021 is \$28,000 per employee

ERC 2021 – Compute the Credit

Important restriction #1:

Wages do not include wages paid under the family and/or sick leave provisions of FFCRA, the Families First Coronavirus Response Act. In addition, wages claimed for employees under the Work Opportunity Credit do not qualify as wages that may increase this credit.

ERC 2021 – Compute the Credit

Important restriction #2:

Wages paid to relatives or family members do not qualify. With entities, one applies these relationship rules depending on a particular level of ownership (>50%).

See question #59: <https://www.irs.gov/newsroom/covid-19-related-employee-retention-credits-determining-qualified-wages-faqs>

ERC 2021 – Compute the Credit

Important restriction #3:

Any wages used in the computation of the ERC are not eligible covered costs on the application for forgiveness of a PPP loan.

For entities who have received a PPP2 loan, hold off on applying for forgiveness to adequately plan and allocate wages between FFCRA, ERC and PPP.

ERC 2020 – Compute the Credit

Important restriction #4:

There are aggregation rules that can affect parent-subsidary or brother-sister groups, or a combined group of corporations. These complex rules can also reach partnerships, trusts and estates. Aggregation can affect qualification in such areas as to whether there is a full or partial shutdown, whether a company has $<$ or $>$ 500 employees, as well as measuring the decline in gross receipts.

	A	B	C	D	E	F	G	H	I	J	K
1		Sample Company - Restaurant									
2		Employee Retention Credit									
3		Calendar Year 2021									
4											
5											
6				Note 1			ERC Eligible				
7			WAGES	FFCRA	Health Ins		WAGES	Health Ins			CREDIT
8			Q2	Q2	Q2		Q2	Q2	Total		Q2
9							Note 2				
10		Albert	12,389.76	-	350.00		9,650.00	350.00	10,000.00		7,000.00
11		Bobby	3,390.60	-	-		3,390.60	-	3,390.60		2,373.42
12		Consuela	8,600.00	770.00	350.00		7,830.00	350.00	8,180.00		5,726.00
13		Danny	6,520.91	-	350.00		6,520.91	350.00	6,870.91		4,809.64
14		Eleanor	960.00	-	-		960.00	-	960.00		672.00
15		Fred - Owner	15,000.00	-	350.00		-	-	-		-
16		Gregorio	13,541.65	-	350.00		9,650.00	350.00	10,000.00		7,000.00
17		Hallie	7,167.52	-	350.00		7,167.52	350.00	7,517.52		5,262.26
18		Jamal	8,010.63	1,200.00	350.00		6,810.63	350.00	7,160.63		5,012.44
19		Kristi - Fred's child	8,423.26	-	350.00		-	-	-		-
20			84,004.33	1,970.00	2,800.00		51,979.66	2,100.00	54,079.66		37,855.76
21											
22	Note 1	FFCRA includes sick and family leave wages for which FFCRA credits were claimed on the 941									
23											
24	Note 2	=MIN(C10-D10,10000-E10)		Formula uses wages less FFCRA, but also prioritizes the use of Health Insurance premiums							
25											

ERC 2021 – Claim the Credit

- Claim the credit on an original timely filed Form 941, or on an amended return, Form 941X



ERC 2021 – Claim the Credit

- The worksheet computes a “refundable portion” and “nonrefundable portion” of the ERC
- Regardless of whether you are filing an original 941 or 941-X, for a quarter where all taxes have been paid, the entire ERC will be refunded to you, even though the worksheet requires the computation of both a refundable and nonrefundable portion.

SWITCHING GEARS



When Will I Get the Money?

- If you claim the ERC on an original 941, timely filed, the refund will be processed and sent to you within 30-60 days.
- If you claim the ERC on an amended 941, there is no known timeline for when the form will be processed and the refund sent to you.

When Will I Get the Money?

- Amended 941s can only be filed on paper.
- Due to the lingering effects of COVID shutdowns and social distancing, the IRS is significantly behind on processing paper documents.
- They post their status on the “IRS Mission Critical” webpage.

When Will I Get the Money?

- <https://www.irs.gov/newsroom/irs-operations-during-covid-19-mission-critical-functions-continue>
- Click on “Filed a Tax Return”
- Scroll down to “Status of Processing Form 941”

When Will I Get the Money?

Status of Processing Form 941, Employer's Quarterly Federal Tax Return: The IRS is now opening mail within normal timeframes. As of September 8, 2021, we had 2.3 million unprocessed Forms 941. We are rerouting tax returns and taxpayer correspondence from locations that are behind to locations where more staff is available, and we are taking other actions to minimize any delays. Tax returns are opened in the order received. If you filed electronically and received an acknowledgement, you do not need to take any further action other than promptly responding to any requests for information. We're working hard to get through the backlog. Please don't file a second tax return or contact the IRS about the status of your return.

As of September 13, 2021, our total inventory of unprocessed Forms 941-X was approximately 341,000 which cannot be processed until the related 941s are processed. While not all these returns involve a COVID credit, the inventory is being worked at two sites (Cincinnati and Ogden) that have trained staff to work possible COVID credits.

Includes ERC

When Will I Get the Money?

- We are not aware of any client who has received a refund from a 941X mailed in 2021 – earliest was mailed in January 2021
- We are recommending all 941X be sent via certified mail, return receipt requested, to document your submission.
- Be patient. Record a receivable for the tax year that the credit relates to, so that your tax return will be prepared correctly.

Thank You for Attending!