

## **Important Tax Credit Updates Under Latest COVID-19 Relief Bill**

### **Employee Retention Tax Credit**

Back in March of 2020, The CARES Act granted eligible employers a credit, the Employee Retention Tax Credit (ERTC), against employment taxes equal to 50 percent of qualified wages paid to employees who are not working due to the employer's full or partial suspension of business or a significant decline in gross receipts.

**The recent passage of the Consolidation Appropriations Act, 2021 has created an opportunity for companies receiving Paycheck Protection Program (PPP) loans in 2020 to consider claiming potential refundable employee retention tax credits in 2020 that were not previously available.**

The credit can be claimed on a quarterly basis, but the amount of wages, including health benefits, for which the credit can be claimed is limited to \$10,000 in aggregate per employee for all quarters.

An eligible employer is defined as:

- An employer whose trade or business is fully or partially suspended during the calendar quarter due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to the coronavirus disease (COVID-19); or
- An employer that experiences a 50% decline in gross receipts for the calendar quarter compared to the same quarter in the prior year.

### **Qualified Wages**

The credit applies to qualified wages paid after March 12, 2020 and before January 1, 2021. If the employer has more than 100 full-time employees, qualified wages are wages paid to employees who cannot work during the COVID-19-related circumstances described above. If the employer has 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order.

For wages paid after December 31, 2020 the following changes have been made to the ERTC:

- ERTC is extended through June 30, 2021
- Credit is increased from 50% of qualifying wages to 70%
- Decreasing gross receipts decline from 50% to 20%
- Increasing eligible wages from \$10,000 for the year to \$10,000 per quarter
- Increasing full-time employees from 100 to 500

**Employers who received PPP funds are now eligible for this credit. However, the wages paid with PPP funds are not qualifying wages for the ERTC.**

We strongly encourage all businesses to review their operations and gross receipts in 2020 to determine if they are an eligible employer for ERTC purposes. If yes, wages paid during each quarter should be reviewed to determine what wages were paid in excess of the wages that were used as "qualifying costs" for PPP loan forgiveness. Any excess wages would be qualifying wages for calculating the ERTC for 2020.

**Credit for Qualified Sick Leave**

In the case of sick leave wages paid by an employer to an employee, the employer may receive a refundable credit against its share of social security tax. The credit can be claimed on a quarterly basis, equal to 100 percent of the amount of sick leave wages paid.

The amount of the credit is limited to \$200 per day per employee. However, the credit increases to \$511 per day if the employee is on leave for the following reasons:

- Is subject to a federal, state or local quarantine or isolation order related to COVID-19;
- Has been advised by a health care provider to self-quarantine due to concerns related to COVID-19; or
- Is experiencing symptoms of COVID-19 and seeking a medical diagnosis.

The total payroll tax credit is limited to 10 days of wages per employee.

**Credit for Qualified Family Leave**

A separate refundable payroll tax credit applies for family leave wages paid by an employer under the Coronavirus Response Act. The credit is 100 percent of the amount of qualified family leave wages limited to \$200 per day per employee, up to an aggregate of \$10,000.

Wages, for purposes of both credits, include a portion of health plan expenses properly allocable to the qualified sick and family leave wages. The paid sick and family leave requirements and the related employer tax credits are temporary. They expire on March 31, 2021.

Please note that employers who received PPP funds **are** eligible for the sick leave and family leave credits. However, the wages paid with PPP funds are not qualifying wages for the sick leave or family leave credits.

**The professionals at Corrigan Krause are ready to help you take advantage of the above outlined tax credits. Please contact us for assistance or with any questions by emailing [ckcrisisteam@corrigankrause.com](mailto:ckcrisisteam@corrigankrause.com).**