

Employee Retention Tax Credit Overview

The Coronavirus Aid, Relief, and Economic Security (CARES) Act created a new [Employee Retention Tax Credit \(ERTC\)](#) for employers who are closed, partially closed, or experiencing significant revenue losses as a result of COVID-19. The credit is aimed at encouraging businesses to keep employees on their payroll. The ERTC is a 50 percent tax credit for the first \$10,000 of compensation an employer pays eligible employees. The Employee Retention Tax Credit:

- Does not limit eligibility based on business size
- Is applied against the employer portion of payroll taxes and is fully refundable
- Applies to wages paid after March 12, 2020 and before January 1, 2021

Who is an eligible employer?

Eligible Employers are private employers, as well as non-profits that either:

- Fully or partially suspend operations during any calendar quarter in 2020 due to orders from a governmental authority due to COVID-19; or
- Experience a significant decline in gross receipts during the calendar quarter (i.e. decline of more than 50 percent for a calendar quarter in 2020 compared to same calendar quarter in 2019).

Who is not an eligible employer?

Governmental employers are not eligible for the ERTC. Also, self-employed individuals are not eligible for this credit for their self-employment services or earnings. Employers who receive a Paycheck Protection Program loan are not eligible for a tax credit.

Can an employer use the Employee Retention Tax Credit for wages that were paid between March 15-April 15, and then use the Paycheck Protection Program for wages that are paid in May and June?

According to the guidance that has been released so far, an employer must choose between the ERTC and the Paycheck Protection Program – they cannot use both.

How much is the tax credit?

The ERTC is a 50% tax credit for the first \$10,000 of compensation, including the employer portion of health benefits, for each employee. Compensation does not include paid sick or family leave for which the employer is reimbursed under the Families First Coronavirus Response Act. The maximum amount of qualified wages for each employee is \$10,000, so that the maximum credit per employee is \$5,000.

How is the credit paid?

The refundable credit is applied against the employer portion of payroll taxes. Employers report their total qualified wages and the related credits for each quarter on their federal employment tax returns, usually IRS Form 941.

Can I access the Employee Retention Tax Credit now?

Eligible employers can claim the advance credit now by filling out [IRS Form 7200](#). This is intended to be used to generate cash flow more quickly.

Which employees count toward eligibility?

- For employers with more than 100 employees:
 - Full-time employees who are (i) being paid but (ii) not providing service due to either a full or partial shutdown or a reduction in gross receipts count toward eligibility
- For employers with 100 or fewer full-time employees:
 - All employees, regardless of whether those employees are providing service, count toward eligibility

The ERTC can be used in addition to other credits such as the Work Opportunity Tax Credit, the [IRS section 45S for FMLA credit](#), and the Families First Coronavirus Response Act credit – **the ERTC cannot be used for the same employees for the same time period.**

Can an employer claim the ERTC even if they have received an SBA Economic Injury Disaster Loan?

There is nothing in either the EIDL program nor the ERTC statute that prohibits the overlap of both programs.

More information on the Employee Retention Tax Credit can be found [here](#).