

## TAX RELIEF

### *Employee Retention Tax Credit*

Congress has passed several rounds of financial assistance and relief in response to the COVID-19 pandemic, including most recently the *American Rescue Plan*. The *American Rescue Plan* includes additional tax relief for businesses through the extension of the Employee Retention Tax Credit (ERTC).

#### \*\*\* WHAT IS NEW IN THE AMERICAN RESCUE PLAN \*\*\*

The *American Rescue Plan* extends the ERTC through December 31, 2021. After June 30, 2021, the ERTC becomes a refundable payroll tax credit against the employer share of the Medicare hospital insurance tax. Start-ups that opened after February 15, 2020, are also now eligible. [Details are below.](#)

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**Extension of credit availability.** The *Coronavirus Aid, Relief, and Economic Security* (CARES) Act created a refundable payroll tax credit for businesses (large and small) and non-profits that retain their employees during the COVID-19 crisis. The credit was originally provided for wages paid between March 12, 2020, and December 31, 2020. The *American Rescue Plan* extends the credit through December 31, 2021.

- The credit is equal to 70 percent of qualified wages.
- The credit is capped at \$10,000 in wages per employee, per quarter.

**Eligibility requirements:**

- Employers may claim the credit if they experience a 20 percent reduction in gross receipts for a quarter in 2021 compared to the same quarter in 2019. Business may continue to claim the credit if their operations are fully or partially suspended by a COVID-19 lockdown order.
- In 2021, a company with 500 or fewer employees will be eligible to claim the credit even if its employees are working.
- Certain governmental employers may claim the credit, including state- and local-run colleges and universities and entities whose principal function is providing medical or hospital care.
- Start-ups that were not in business until after February 15, 2020, and that have less than \$1 million in annual gross receipts are now eligible, under the *American Rescue Plan*.

**PPP availability:**

- A company that receives a PPP loan or another small business loan or grant under the *American Rescue Plan* or another COVID relief law is allowed to claim this credit. However, a company may not “double dip” and claim a credit for wages paid with the proceeds of a forgiven PPP loan, a restaurant revitalization grant, or a shuttered venue operators grant.

**Applying the tax credit:**

- The credit can be claimed against the business or non-profit’s quarterly payroll tax liability and is fully refundable to the extent of excess.

- After June 30, 2021, the credit can be claimed as a fully refundable credit against the employer's share of the Medicare hospital insurance tax.

**More information.** Please check the IRS's website for more information as it becomes available: <https://www.irs.gov/coronavirus/coronavirus-tax-relief-for-businesses-and-tax-exempt-entities>.