

EMPLOYEE RETENTION CREDIT (ERTC)

EMPLOYEE RETENTION CREDIT (ERTC) SERVICES OVERVIEW

The Employee Retention Tax Credit (ERTC) was created as part of the CARES Act to encourage businesses to continue paying employees by providing a credit to the eligible employer for wages paid to eligible employees. Recent changes extended the credit through December 31, 2021 and allow for the ERTC to be utilized even by companies that received PPP loans.

KBKG is providing the following services to assist with ERTC:

- Determine if the employer qualifies, and if so, for which quarters
- Determine which employee wages qualify
- Calculate credits, including estimates for current and future quarters
- Prepare form 7200 for employer to submit to IRS to receive advances
- After the quarter has ended, calculate the actual credits earned
- Reconcile actual credits with advance credits requested
- Prepare reconciled data for Form 941-X

ERTC ELIGIBILITY

Recipients of PPP loans are now eligible to qualify retroactively for the credit in 2020 and 2021.

For 2021, there is a maximum credit of \$7,000 per eligible employee, **per quarter**. The 2021 credit is computed at a rate of 70% of qualified wages paid, up to \$10,000 per eligible employee, **per quarter**. For Eligible Employers with less than 500 average full-time employees in 2019, the credit is available for **all** employees receiving wages in 2021.

For 2020, there is a maximum credit of \$5,000 per eligible employee. The 2020 credit is computed at a rate of 50% of qualified wages paid, up to \$10,000 per eligible employee for the year. For Eligible Employers with less than 100 average full-time employees in 2019, the credit is available for **all** employees receiving wages in 2020.

An Eligible Employer (including all members of a control group) must either:

1. Have their operations fully or partially suspended due to orders from a governmental authority OR
2. Suffer a significant decline in quarterly gross revenue as measured against 2019
 - 50% decline for 2020
 - 20% decline for 2021

A governmental employer is not eligible.

Additional rules and limitations apply.

FAQS

Q: For ERTC eligibility, does the company need to calculate full-time equivalents or just the total of all full-time employees and exclude part-time employees?

A: For ERTC, unlike PPP, the employee threshold is determined by looking at full-time employees rather than full-time equivalents. A full-time employee in this case is defined as someone working an average 30 hours per week or 130 hours per month.

Q: What medical benefits can we include for ERTC?

A: Health care costs that employers pay on behalf of their employees to provide and maintain a group health plan can be included as qualified costs for determining the credit.

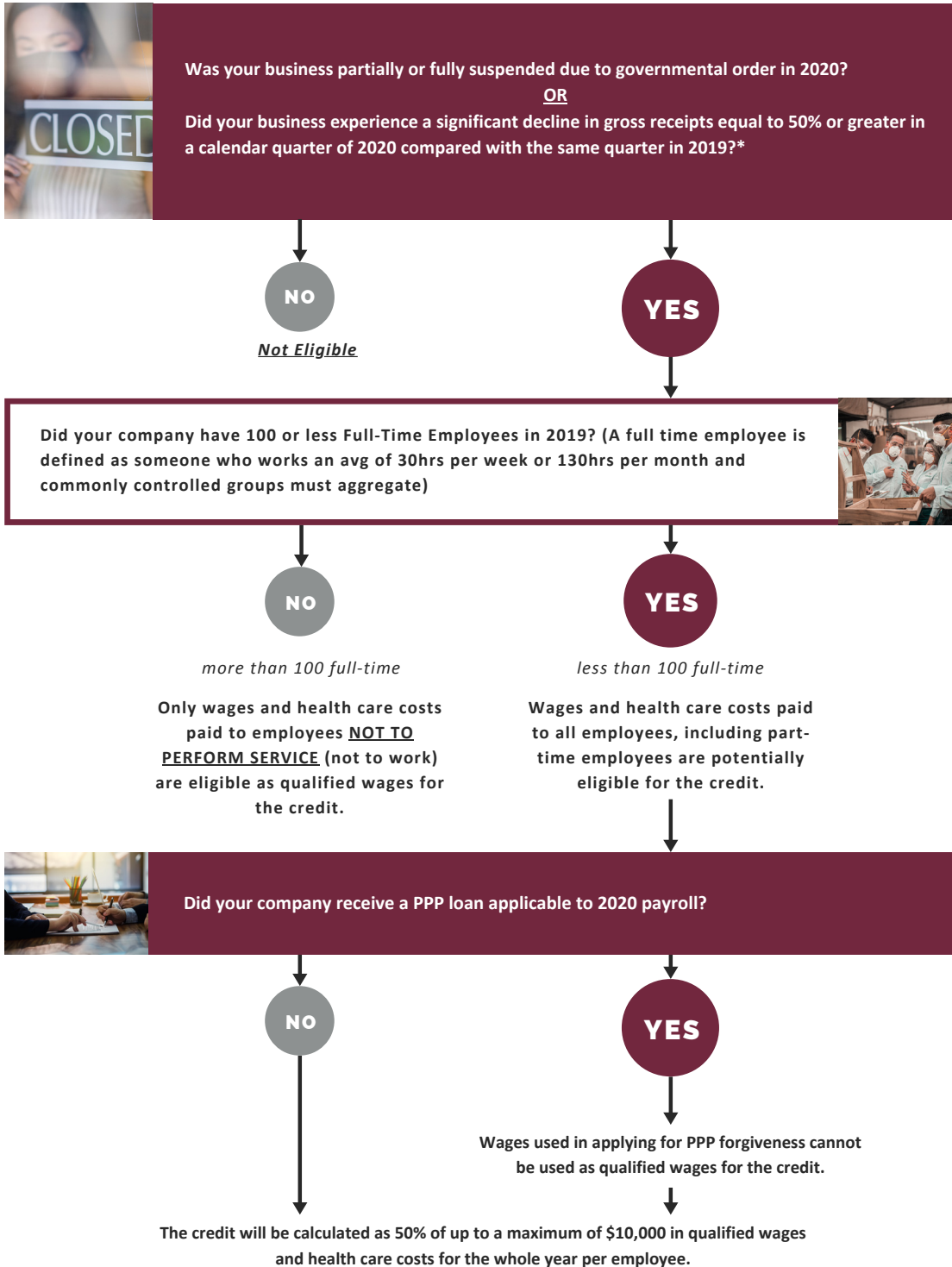
Q: Did the new law change the gross receipts test to a 20% reduction rather than a 50% reduction?

A: No, the gross receipts test for the 2020 credit is still a 50% or more reduction in gross receipts when comparing a quarter in 2020 to the corresponding quarter in 2019. The 20% reduction test applies only for the 2021 credit.



KBKG is a national tax specialty firm with offices across the U.S. To see if you qualify, call us or visit [KBKG.com/qualify](https://www.kbkg.com/qualify) for more information.

EMPLOYEE RETENTION CREDIT (ERTC) - 2020 FLOWCHART



**For government shutdown, the credit becomes eligible on wages and health care costs paid during that period of time the shutdown is in effect. For the gross receipts test, the eligibility of the credit extends from the first day of the first quarter in which the test is met until the first day of the quarter subsequent to the quarter in which gross receipts return to at least 80% of the comparable quarter in 2019. Additional rules apply for commonly controlled groups.*

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EMPLOYEE RETENTION CREDIT (ERTC) - 2021 FLOWCHART



Was your business partially or fully suspended due to governmental order in 2021?

OR

Did your business experience a significant decline in gross receipts equal to 20% or greater in a calendar quarter of 2021 compared with the same quarter in 2019?*

(Q4 2020 can be used to determine eligibility for Q1 2021)

NO

Not Eligible

YES

Did your company have 500 or less full-time employees in 2019? (A full-time employee is defined as someone who works an average of 30 hours per week or 130 hours per month and commonly controlled groups must aggregate)



NO

more than 500 full-time

Only wages and health care costs paid to employees **NOT TO PERFORM SERVICE** (not to work) are eligible as qualified wages for the credit.

(A 90% reduction in gross receipts enables all wages and health care costs to be eligible even if more than 500 FTEs)

YES

less than 500 full-time

Wages and health care costs paid to all employees, including part-time employees are potentially eligible for the credit.



Did your company receive a PPP loan applicable to 2021 payroll?

NO

The credit will be calculated as 70% of up to a maximum of \$10,000 in qualified wages and health care costs per quarter, per employee.

YES

Wages used in applying for PPP forgiveness cannot be used as qualified wages for the credit

**For government shutdown, the credit becomes eligible on wages and health care costs paid during that period of time the shutdown is in effect. Additional rules apply for commonly controlled groups.*

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