

KBKG TAX INSIGHT: THE AMERICAN RESCUE PLAN EXTENDS EMPLOYEE RETENTION TAX CREDITS

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On Thursday, March 11th, President Biden signed the American Rescue Plan Act (ARPA) into law. The historic \$1.9 Trillion stimulus package expands COVID-19 relief for individuals, families, local governments, and businesses. Specifically, the plan includes updates to the [Employee Retention Tax Credit \(ERTC\)](#), which we have discussed in [recent webinars](#). In this overview, we will cover the highlights of the plan as it pertains to ERTC, PPP, and other key provisions.

EXTENSION OF THE EMPLOYEE RETENTION TAX CREDIT

The American Rescue Plan Act extends the 2021 Employee Retention Tax Credit program to include the remainder of 2021. Previously the end date of the 2021 credit was June 30, 2021.

For calendar quarters beginning after June 30, 2021, ARPA includes the following new ERTC provisions:

- Certain startup businesses established after February 15, 2020, are now eligible for **up to \$50,000 per quarter**, even if other eligibility tests are not met.

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- Employee Retention Tax Credits

- Employers of all sizes who experience a reduction in gross receipts of more than 90 percent compared to the same 2019 quarter are now eligible for a credit on all employee wages.
- The IRS statute of limitations to make an ERTC assessment has been extended from three years to five years.

More About ERTC

At KBKG, we provide assistance with the calculation of the Employee Retention Tax Credit, preparation of Form 7200, Form 941, Form 941-X, and more. Recipients of PPP loans are now eligible to qualify retroactively for the 2020 credit and 2021.

ERTC Resources

- [See if You Qualify for ERTC](#)
- [ERTC Webinars – New Dates Available!](#)
- [ERTC Benefit Estimate Calculator \(Free\)](#)
- [ERTC Informational Flyer](#)

AMERICAN RESCUE PLAN ACT – OVERVIEW OF OTHER KEY PROVISIONS

\$28.6 Billion Restaurant Revitalization Fund

The Small Business Administration (SBA) is set to receive \$28.6 billion in new grant funding for qualifying restaurants and bars. Companies with a NAICS code starting with “72” with 20 locations or fewer may apply for grants equal to the difference between their 2020 and 2019 revenue. Grants would max out at \$10 million per company and \$5 million per physical location. \$5 billion of this fund will be exclusively available to businesses with 2019 gross receipts of no more than \$500,000.

\$15 Billion in Additional Economic Injury Disaster Loans (EIDL) Funding

To continue relief for severely impacted small businesses with fewer than 10 workers, the American Rescue Plan also includes additional funding for the EIDL program.

\$7.25 Billion for the Paycheck Protection Program

In addition to these additional funds for PPP, the program will expand eligibility criteria to some non-profit organizations that were previously excluded. These groups include organizations that promote advocacy and lobbying, as well as larger non-profits.



Other Business Funding & Support

In addition to the major programs, \$3 billion will be allocated for a payroll support program for Aviation Manufacturers, \$1.25 billion in funding will be received by the Shuttered Venue Operators Grant to aid music halls and other concert venues, \$175 million will go to the Community Navigator Program for eligible businesses, and credit will continue to be given to companies that provide family and sick leave under the FFCRA, although that is now voluntary and not mandated.

PROVISIONS FOR INDIVIDUALS & FAMILIES

Direct Financial Payments

Individuals and families will again receive relief payments based on adjusted gross income. This will be the third economic impact payment sent out to qualifying Americans. Individuals with adjusted gross incomes (AGIs) of \$75,000 or less—and couples with AGIs of \$150,000 or less—will receive \$1,400 each and for each of their dependents, regardless of age.

Payments to individuals with AGIs over \$75,000 will be reduced until they disappear entirely at \$80,000 (\$160,000 for couples).

Extended Unemployment Benefits

Unemployment benefits of \$300 per week of federal payments are extended through September 6th, 2021. For households with income lower than \$150,000, the first \$10,200 in 2020 benefits is also tax-free.

The Act also provides 100% subsidy of COBRA health insurance premiums, so unemployed workers can remain on their employer healthcare plans through to the end of September 2021.

Child Tax Credits

The new legislation will temporarily expand the Child Tax Credit. For couples with a combined income of \$150,000 or less or \$112,500 in the case of a head of household or \$75,000 otherwise, a credit of \$3,000 a year will be provided for each child ages 6 to 17 and \$3,600 for each child under age 6.



Advance payments against these credits can be requested and will be sent to families by direct deposit on a monthly basis.

Other Provisions

In addition to these provisions for businesses, individuals, and families, the package includes funding for state and local governments, education funding for K-12 and college and universities, money for FEMA for vaccination distribution and assistance, additional assistance to veterans, enacting the Defense Production Act for PPE manufacturing, and more.

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Ian Williams is a Director for KBKG, specializing in [Research & Development](#). Ian spent eleven years at a Big Four accounting firm specializing in R&D tax credits and fixed asset studies across a variety of industries. He has extensive experience in software, heavy manufacturing, aerospace, automotive, and consumer products industries, as well as defending credit claims with the IRS. [» Full Bio](#)