



Employee Retention Credit Flowchart - 2020

For tax year 2020, the Employee Retention Credit (ERC) now applies to companies who did receive a PPP loan. However, payroll used in the forgiveness calculation of the PPP loan are ineligible for the ERC.

Initial Eligibility:

In order to qualify for the employee retention credit, the business must meet one of two tests:

Was business partially or fully shut down by government order?

OR

Did the business have a 50% decrease in gross receipts in the same quarter as 2019?

The business needs to check its eligibility for each quarter. The credit does not apply in quarters where it does not meet the eligibility. If a business qualifies based on a decrease in gross receipts for one quarter, they will automatically qualify for the ERC in the following quarter.

Qualified Wages:

The amount of wages that qualify will depend on how many full-time employees the business had:

100 or Fewer Full Time Employees in 2019

The credit is based on qualified wages paid to all employees.

101 or More Full Time Employees in 2019

The credit is allowed for wages paid to employees when they were not providing services.

FTE calculation is based on the employer shared responsibility provision of the ACA

Amount of Credit:

The credit is for 50 percent of wages paid per quarter, up to \$10,000 paid per employee between March 13, 2020 and December 31, 2020. **The maximum amount of credit is \$5,000 per employee.**





Employee Retention Credit Flowchart - 2021

For tax year 2021, the Employee Retention Credit (ERC) now applies to companies who did receive a PPP loan. However, payroll used in the forgiveness calculation of the PPP loan are ineligible for the ERC.

Initial Eligibility:

In order to qualify for the employee retention credit, the business must meet one of two tests:

Was business partially
or fully shut down by
government order?

OR

Did the business have a
20% decrease in gross
receipts in the same
quarter as 2019?

The business needs to check its eligibility for each quarter. The credit does not apply in quarters where it does not meet the eligibility.

Qualified Wages:

The amount of wages that qualify will depend on how many full-time employees the business had:

500 or Fewer Full Time
Employees in 2019

The credit is based on qualified wages paid to all employees.

501 or More Full Time
Employees in 2019

The credit is allowed for wages paid to employees when they were not providing services.

FTE calculation is based on the employer shared responsibility provision of the ACA

Amount of Credit:

The credit is for 70 percent of wages paid, up to \$10,000 paid per employee per quarter between January 1, 2021 and September 30, 2021. **The maximum amount of credit is \$7,000 per employee per quarter.**

Start-Up Business:

If a business started after February 15, 2020 and has less than \$1,000,000 in average annual gross receipts, they automatically qualify for the ERC for the third and fourth quarters of 2021.

For businesses that qualify under the start-up business rules, the ERC is capped at \$50,000 per quarter.

