



Employee Retention Credit Update

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Although the Paycheck Protection Program received much of the fanfare and applause of the American business owner, the Employee Retention Credit (ERC), a lesser talked about program, has also been a major windfall for many of our clients.

To qualify for the ERC:

- A business must have, in 2020, experienced a 50% or more drop in revenues for a quarter as compared to the same quarter in 2019, or (b) were fully/partially suspended or had to reduce business hours due to a government order, are eligible for payroll tax credits of up to \$5,000 per employee.
- For 2021, that credit became more lucrative and easier to obtain eligibility. Businesses that (a) experienced a 20% or more drop in revenues for a quarter as compared to the same quarter in 2019, or (b) were fully/partially suspended or had to reduce business hours due to a government order, are eligible for payroll tax credits of up to \$7,000 per employee per quarter for the first three quarters of 2021 (\$21,000 per employee total).

Unfortunately, the Infrastructure Bill passed in the House late Friday night ended the ERC early, making wages paid after September 30, 2021, ineligible for the credit (excluding Recovery Startup Businesses). As such, if any businesses have **already claimed this credit for wages paid between October 1, 2021, and today, be prepared to repay the credit that you've received on these wages thus far**, and remove the credit from your next payroll run. Guidance should be forthcoming with respect to repaying the credits.

On the bright side, it is not too late to claim these credits for 2020 or the first three quarters of 2021. If you are eligible based upon the requirements discussed above, please reach out to our team immediately. Likewise, if you qualify as a Recovery Startup Business, the credit is still available for wages paid through the end of 2021. As a reminder, a Recovery Startup Business is defined as a company that (a) started operations on or after February 15, 2020, (b) has gross receipts under \$1 million dollars for 2020 and 2021 each, **and** (c) paid wages to one or more non-owner (50% or more) employees during quarter 3 and quarter 4 of 2021.

As always, Spielman Koenigsberg & Parker, LLP is here to assist you with your needs to ensure you qualify and are properly applying for all eligible COVID-19 relief. Please feel free to contact us for further guidance.