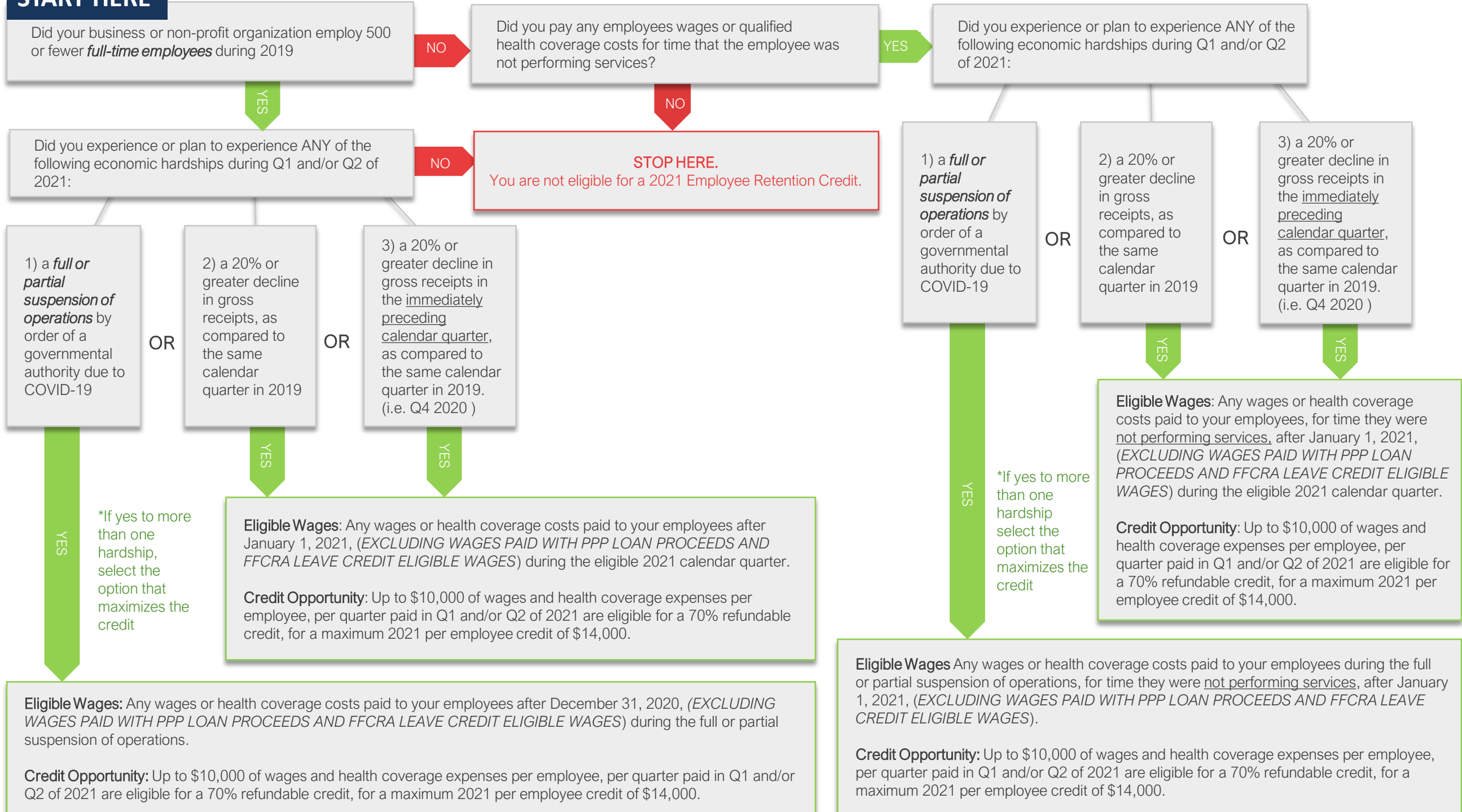


# Is your Organization Eligible to Receive Valuable Employee Retention Credits for 2021?

The Taxpayer Certainty and Disaster Tax Relief Act of 2020 made impactful changes to the Employee Retention Credit opportunities and benefits for small business and non-profit employers. It is critical to understand, however, that for 2020 the Act only changed the ELIGIBILITY qualifications for the credits, NOT the computations or amounts, which are only effective beginning in 2021. The 2021 changes significantly increase the credit opportunities for business and non-profit employers, both by increasing the likelihood of employer eligibility as well and nearly tripling the amount of credit available.

See the next page for key definitions, considerations & reminders

## START HERE



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## Key Definitions, Considerations & Reminders

**PPP Forgiveness Planning Point:** Now that small business and non-profit employers are allowed to have a PPP loan AND qualify for the Employee Retention Credit, it will likely be beneficial for ERC eligible employers to MINIMIZE the qualified payroll expenses and MAXIMIZE other qualified expenses used for the PPP loan forgiveness application. Doing so will allow employers to save these payroll expenses to be used for the ERC.

**Qualified Health Coverage Costs:** If business or non-profit employers meet either of the economic hardship tests, then they are also eligible to take the Employer Retention Credit for any employer paid health care/coverage costs that were paid on behalf of the employees during 2021. While the over 500 full-time employee rules about providing service still apply, this is an opportunity for employers who may have furloughed employees but continued to pay for health care coverage and those who did not use health care costs in their PPP loan forgiveness expenses.

**Employee Bonuses and/or Pay Increases:** Employers are now eligible to pay employee bonuses or award compensation during Q1 and Q2 of 2021 to increase or maximize the ERC. This was not allowed under the previous ERC guidelines.

**New Employers Not in Business in 2019:** There are additional opportunities and guidelines for the Employee Retention Credit for employers who were not in business for all of 2019.

**Exclusion of Owner Family Wages:** Wages paid to the family of a greater than 50% owner are not eligible for the Employee Retention Credit. The IRS defines family as a child, grandchild, brother, sister, stepbrother, stepsister, father, mother, grandparents, stepfather, stepmother, niece, nephew, aunt, uncle or any in-laws (mother, father, brother, sister, daughter, son).

**Advance Credit Opportunities for 2021:** For Q1 and Q2 of 2021, eligible employers may elect to receive an advance credit and payment, at the beginning of the calendar quarter, for any quarter which it expects to be eligible. This advance credit election cannot exceed 70% of the average quarterly wages paid by the employer in 2019. At the end of the quarter in which the advance credit was claimed, the employer will be required to reconcile the advance payment with the actual credit allowed and, if applicable, remit payment for any excess advance payment received.

### KEY DEFINITIONS:

**Full-time Employee:** Any employee who is employed on average at least 30 hours of service per week in any month during 2019. This is calculated by adding up, per month, all employees averaging 30 or more hours, totaling the 12 months, and dividing by 12 months to calculate the average number of full-time employees per month in 2019.

**Full or Partial Suspension of Operations:** Any full or partial closure of the workplace due to a governmental order (i.e. closure of indoor dining while still allowing take out) or a "more than nominal" modification of business operations due to a governmental order (i.e. 50% capacity limits in a salon).

**Disclaimer:** The information contained in these materials are for general guidance on matters of interest only and the application and impact of laws can vary widely based on the specific facts involved. Given the changing nature of laws, rules and regulations following the date of publication, there may be delays, omissions or inaccuracies in information contained. This information should not be considered legal, accounting, tax, or other professional advice and, as such, it should not be used as a substitute for consultation with professional accounting, tax, legal or other competent advisers.

## Questions about Employee Retention Credits?

We can help you through it. Reach out to our AEM Workforce Solutions team today.

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