



# Employee Retention Tax Credit

# Eligibility for Employee Retention Tax Credit

## Any Quarter in 2020

Original Law: Business operations that are either fully or partially ([Click Here](#) to view IRS guidance on pages 27 – 43) suspended by a COVID-19 lockdown order; or, for any quarter in 2020, if gross receipts are less than 50% of gross receipts for the same quarter in 2019.

## First and Second Quarter of 2021

- New Law: Effective Jan. 1, 2021, business operations that are either fully or partially suspended by a COVID-19 lockdown order, or for a quarter in 2021, if gross receipts are less than 80% of gross receipts for the same quarter in 2019.
- Previously, employers who received a PPP Loan were not eligible to receive the Employee Retention Credit. The December 27, 2020 Stimulus Bill changed this, retroactively, to wages paid after March 12, 2020 through June 30, 2021 but only for wages not paid for with the proceeds of a forgiven PPP loan (no double dipping)

# 2020 Retroactive Tax Credit Eligibility Checklist

- Step 1 - Determine if you qualify in any 2020 quarter based on one of the following 2 criteria:
  - Criteria 1 - the operation of the trade or business during any quarter in calendar year 2020 was fully or partially suspended ([Click Here](#) to view IRS guidance and see pages 27 – 43) due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19
  - Criteria 2 – If your business experienced a decline in revenue of 50% or more in any 2020 quarter compared to the same quarter in 2019.

If you qualify under either of these 2 criteria, did you receive a PPP Loan?

- No - then you may be eligible for an employee retention credit.
- Yes - has the loan been (or will it be) partially or fully forgiven?
  - No - then you may be eligible for an employee retention credit.
  - Yes – Any wages paid for with the forgiven PPP loan in the eligible quarter do not qualify for the employee retention credit.

# How is the credit calculated?

## ELIGIBLE Wages From March 12, 2020 and BEFORE January 1, 2021

- 50% of the qualified wages paid per employee (with a maximum credit of \$5000 for all of 2020), plus the cost to continue providing health benefits to the employee.

Less than 100 Employees

Cannot include any wages paid with the proceeds of a PPP loan

## ELIGIBLE WAGES AFTER JANUARY 1, 2021 and before July 1, 2021

- 70% of qualified wages (up to a maximum credit of \$14,000 per employee) which includes the cost to continue providing health benefits.
- 500 or less employees
- Cannot include any wages paid with the proceeds of a PPP loan

# Payality Reporting to Help Calculate Retroactive Credit for 2020

Go to REPORTING, then STANDARD REPORTS, Type Retention in the Title Field and Click Search then

The screenshot displays the Payality reporting interface. At the top, a navigation bar includes 'Home', 'Documents', 'ESS', 'Employee', 'HR', 'REPORTING', 'Payroll', 'Company', 'Time & Attendance', 'HR Support Center', and 'System'. Below this, a sub-navigation bar shows 'STANDARD REPORTS', 'Report Writer', 'Saved Company Reports', 'My Reports', and 'My Completed Reports'. The main search area contains fields for 'Category', 'Sub Category', 'Title' (with 'Retention' entered), 'Tag', 'Report Type', and 'Report ID'. A green 'Search' button and a 'Show All' button are on the right. A table below shows a search result for 'Employee Retention Credit' under the 'REPORT TITLE' column. Below the table, there are two sections: 'Output Options' and 'Save Options'. The 'Output Options' section has a dropdown for 'Output Format' set to 'Microsoft Excel'. The 'Save Options' section has checkboxes for saving to 'Saved Company Reports' and 'My Reports'. At the bottom, there are buttons for 'Back To Reports List', 'Save Settings', and 'Run Report'. Five yellow arrows with numbers 1 through 5 indicate the sequence of actions: 1 points to the 'Title' field, 2 points to the 'Search' button, 3 points to the search result, 4 points to the 'Output Format' dropdown, and 5 points to the 'Run Report' button.

Home Documents ESS Employee HR **REPORTING** Payroll Company Time & Attendance HR Support Center System

STANDARD REPORTS Report Writer Saved Company Reports My Reports My Completed Reports

Category  Title Retention Report Type  Search

Sub Category  Tag  Report ID  Show All

REPORT TITLE	DESCRIPTION	REI
<a href="#">Employee Retention Credit</a>		Co

**Output Options**

Output Format: Microsoft Excel

Notify Me When Completed:  Report will open up in a new window and will

Email Completed Report:

**Save Options**

Save to "Saved Company Reports":  Report Title

Save to "My Reports":  Report Title

Back To Reports List Save Settings Run Report

Then Scroll Down to Output Options and change to Microsoft Excel and then Click Run Report

# Payality Reporting to Help Calculate Retroactive Credit for 2020

The Excel Spreadsheet Shows the Potential Employee Retention Credit by Employee for Each Quarter. Remember, the maximum credit available per employee is \$5000 per year total and cannot include wages paid for with forgiven PPP Loan proceeds.

## Employee Retention Credit Report

Employee ID	Last Name	First Name	Middle Name	QTR 1 2020 Gross	QTR 1 2020 Potential Credit	QTR 2 2020 Gross	QTR 2 2020 Potential Credit	QTR 3 2020 Gross	QTR 3 2020 Potential Credit	QTR 4 2020 Gross	QTR 4 2020 Potential Credit	2020 YTD Gross	2020 YTD Potential credit
2	Sample1	Employee	S	14,200.00	5,000.00	14,600.00	5,000.00	14,625.00	5,000.00	16,150.00	5,000.00	<b>59,575.00</b>	<b>5,000.00</b>
3	Sample2	Employee	S	12,600.00	5,000.00	12,925.00	5,000.00	12,675.00	5,000.00	7,950.00	3,975.00	<b>46,150.00</b>	<b>5,000.00</b>
4	Sample3	<u>Employee</u>	C	4,376.64	2,188.32	3,492.84	1,746.42	0.00	0.00	0.00	0.00	<b>7,869.48</b>	<b>3,934.74</b>

# How to receive the credit retroactively for 2020

You will need to amend the returns in the qualifying quarters.

As a reminder, you cannot claim the credit on wages in any qualifying quarter that were paid for using the proceeds of a forgiven PPP loan.

As Payality has no way of knowing how much of the loan was used on payroll cost versus other eligible expenses, we cannot determine how much credit you may be eligible for.

Please be sure to seek the advice of your CPA/Accountant to determine what wages are eligible and have them provide you with the amount of applicable credit to apply to eligible quarters.

When you provide us with the eligible credit per quarter, we will amend the Eligible quarter returns for a fee of \$250 per amended return.

# How to receive the credit for 2021

## REDUCE FEDERAL TAX DEPOSITS BY ELIGIBLE WAGES OR CLAIM CREDIT ON 941

- Each pay period you may reduce the company's overall federal tax liability by the amount of eligible credit. For example:
- The total federal tax liability for the pay period is \$10,000. Eligible wages are \$8,000. You would reduce the federal tax payment by \$8,000 and pay the \$2,000 difference to the IRS.
- Or, show eligible credit amount on quarterly 941. The amount of credit will be treated as an overpayment and refunded by the IRS

## Apply for a tax credit advance

- Complete and file form [7200](#) using the following instructions [\(Click Here\)](#)