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## EMPLOYER RETENTION CREDIT- THERE IS STILL TIME TO QUALIFY!

From Cray, Kaiser Ltd.

Following the Covid pandemic, the government implemented many programs to provide much needed relief to employers. One of these included the Employer Retention Credit (ERC). This is a fully refundable tax credit that is available to both small and mid-sized businesses, even if you received the Paycheck Protection Program (PPP) Loan.

Businesses who are eligible can claim up to \$5,000 in fully refundable tax credits for each employee in 2020 and up to a \$7,000 credit PER quarter for each employee in 2021. Please note that the ERC is only applicable in quarters 1, 2 and 3 for 2021.

### Can I Still Qualify for ERC?

Although we are in 2023, it's NOT too late to qualify and claim ERC retroactively! Businesses have up to three years to conduct a lookback to determine if they qualify and if wages paid March 13, 2020 through September 30, 2021 are eligible.



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Quarters Eligible for ERC	Last Date to Claim ERC
Q2 2020	07/31/2023
Q3 2020	10/31/2023
Q4 2020	01/31/2024
Q1 2021	04/30/2024
Q2 2021	07/31/2024
Q3 2021	10/31/2024

## How to Qualify?

For 2020, businesses with 100 or less employees can qualify if they pass one of the two tests below:

1. The full or partial suspension of the business's operation during any calendar quarter from March 13, 2020, because of governmental orders limiting commerce, travel, or group meetings due to the Covid 19 pandemic. IRS Notice 2021-20 defines specific requirements that need to be met to qualify under this method.

**OR**

2. Gross receipts for any calendar quarter in 2020 showing at least a 50% reduction as compared to that same calendar quarter in 2019.



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For 2021, businesses with 500 or less employees can qualify if they pass one of the two tests below:

- The full or partial suspension of the business's operation during any calendar quarter through September 30, 2021 because of governmental orders limiting commerce, travel, or group meetings due to the Covid 19 pandemic. IRS Notice 2021-20 defines specific requirements that need to be met to qualify under this method.

**OR**

- Gross receipts for any calendar quarter 1, 2 or 3 in 2021 showing at least a 20% reduction as compared to that same calendar quarter in 2019. In 2021 a safe harbor test was provided that allows you to qualify based on the previous calendar quarter's gross receipts and compare them to the same calendar quarter in 2019.

Per IRS Aggregation Rules under section 448(c)(2) and 52(a)(b) and provisions of section 2301(d) of the CARES Act, All members of an aggregated group are treated as a single employer. In other words, if multiple businesses are controlled by common ownership, all entities are deemed single employers for ERC eligibility purposes.



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## How to Calculate ERC

Once a business determines that they qualify, the next step is to calculate the ERC tax credits. [Find CK's helpful template to assist you in calculating your credits here.](#)

Businesses who received the PPP, will need to run additional analysis to make sure that they have enough eligible wages to benefit from both the PPP loan forgiveness while maximizing the ERC. Any eligible wages used for PPP cannot be used to calculate ERC. No double dipping!

## How to Claim ERC?

To claim the ERC, a business will need to amend their federal payroll tax form 941 for the quarter in which they are looking to claim the refundable credit. The IRS is only accepting paper filings and refunds are taking around 200 days to come in the mail via paper check, as the IRS is not funding any other way. This amendment does not impact previously filed W-2s.

Important to note, unlike PPP, the ERC income is taxable in the year that the credit is claimed and not received. We do highly recommend speaking with your CPA to determine tax implications and net benefits. For any additional information or assistance with ERC, please contact Cray Kaiser, your ERC specialists.