
Bailey, Carr CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



May 25, 2021

Employee Retention Credit

The Employee Retention Credit (ERC) is a refundable tax credit against certain employment taxes equal to 50% (2020) and 70% (2021) of your qualified wages. Qualified wages are generally Social Security wages and qualified health plan expenses.

First, an employer needs to determine if they are eligible. In 2020 you are eligible if you had a full or limited suspension of operations due to a government order. You are also eligible if you had a decline of at least 50% in gross receipts compared with the same calendar quarter in 2019. In 2021 you are eligible if you had a full or limited suspension of operations due to a government order. You are also eligible if you had a decline of at least 20% in gross receipts compared with the same calendar quarter in 2019.

Once you have determined you are eligible, you will need to determine which wages are eligible. **The following is based on employers with 100 or fewer full-time employees.**

All employee wages and qualified health plan expenses paid during the eligible period are qualified wages for the ERC. Please note that wages that were paid with PPP funds are not eligible for the ERC. Additionally, if wages were included to determine the work opportunity credit, they do not qualify. The wages that qualify for the credit are capped at \$10,000 per employee per quarter.

For example, if you determine that in 2020 there are \$10,000 in wages that qualify and that were not paid with PPP funds, the amount of the credit would be $\$10,000 \times 50\% = \$5,000$.

Please note that in order to obtain the credit for 2020 you will need to amend your payroll reports and also amend your business tax return. The credit amount reduces the amount of deductible wages reported on your tax return.

The ERC takes time to compute. Please do not hesitate to reach out if you need assistance in determining the ERC for your organization.

*Best Regards,
Bailey, Carr CPAs, P.C.*

Disclaimer

Any accounting, business or tax advice contained in this communication, including attachments and enclosures, is not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. If desired, Bailey, Carr CPAs would be pleased to perform the requisite research and provide you with a detailed written analysis. Such an engagement may be the subject of a separate engagement letter that would define the scope and limits of the desired consultation services.

[Visit Our Website](#)

Bailey, Carr CPAs, P.C.
Phone: (585) 272-9870 Fax: (585) 272-0041
2565 Brighton Henrietta Town Line Road
Rochester, New York 14623