



Hello,

Most of our daily FAQs have focused heavily on Paycheck Protection Program (PPP) loans. In an effort to broaden the scope of information discussed so that you can make well-informed decisions for your company, today's FAQ will explore details of the Employee Retention Credit as part of the CARES Act. We will discuss the Internal Revenue Services's (IRS) definition of qualified wages, specify which employers are eligible for tax credits, and outline how they can be claimed.

These questions were taken directly from the IRS's FAQ website. More information on Employee Retention Credit can be found on the IRS website: <https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>. Additionally, as more information becomes available from the IRS, we will continue to provide updates.

Q: What is the Employee Retention Credit?

A: The Employee Retention Credit is a second option for financial relief under the CARES Act. It is a fully refundable tax credit for employers equal to 50 percent of qualified wages.

This Employee Retention Credit is only for qualified wages paid after March 12, 2020, and before January 1, 2021. The maximum amount of qualified wages per employee for all quarters is \$10,000. This means the maximum credit for an Eligible Employer for qualified wages paid per employee is \$5,000.

Q: Who is an eligible Employer?

A: Eligible Employers would be those that carry on a trade, or business during calendar year 2020, including a tax-exempt organization, that either:

- Fully or partially suspends operation during any calendar quarter in 2020 due to Government orders which limited commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19; or
- Experiences a significant decline in gross receipts during the calendar quarter.

****Self-employed individuals are not eligible for this credit for their self-employment services or earnings.****

Note: If you applied for the SBA Loan, you would not qualify for the Employee Retention Credit.

Q: What are qualified Wages?

A: If you as the Employer averaged more than 100 full time employees in 2019, qualified wages are the wages paid to an employee for time that the employee is not providing services due to either (1) a full or partial suspension of operations by order of a governmental authority due to COVID-19, or (2) a significant decline in gross receipts. For these employers, qualified wages taken into account for an employee may not exceed what the employee would have been paid for working an equivalent duration during the 30 days immediately preceding the period of economic hardship.

If you as the Employer averaged less than 100 full time employees in 2019, qualified wages are the wages paid to any employee during any period of economic hardship described in (1) and (2) above.

Q: How does an eligible Employer claim the refundable Tax credit?

A: Eligible Employers will report their total qualified wages and the related credits for each calendar quarter on their federal employment tax returns, usually Form 941.

In anticipation of receiving the credits, Eligible Employers can fund qualified wages by accessing federal employment taxes, including withheld taxes, that are required to be deposited with the IRS or by requesting an advance of the credit from the IRS.

Q: Can an Eligible Employer receive both tax credits for qualified leave wages under FFCRA and the Employee Retention Credit through CARES Act?

A: Yes, but not for the same wages. The amount of qualified wages that an Employer may claim for the Employee Retention Credit does *not* include the amount of qualified sick and family leave wages that the employer received tax credits for under the FFCRA.