



# The Employee Retention Credit

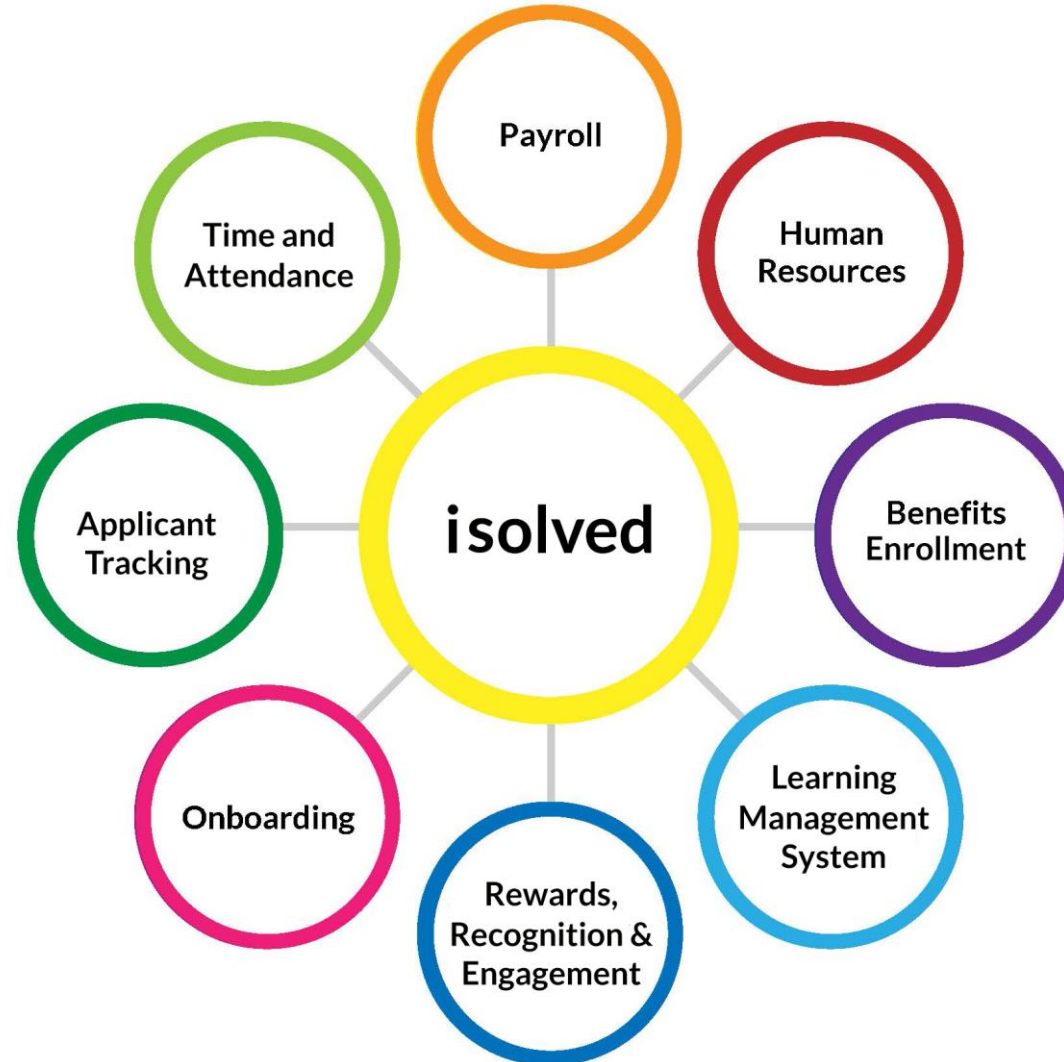


**Michael Maddalone**  
**Director of Business Sales**  
**GTM Payroll Services**

# About GTM Payroll Services

- Human Capital Management (HCM) solution for businesses across all sectors and sizes
- Founded in 1991
- More than 70 employees: certified payroll professionals, licensed insurance brokers, PHR-certified HR managers, employment tax experts, and CPAs
- Isolated Partner: Latest HCM technology solution
- Dedicated customer service
- Local in-person and online trainings

# GTM's HCM Solution



# ERC Options for GTM Clients



- We can work with your accountant
- We can outsource for full-service solution
- Partners can assist non-clients



**Jim Foster, J.D.**  
**Director**  
**HIREtech**



# Agenda



- Overview of the Employee Retention Credit (ERC)
- Rules for 2020
- 2021 Changes
- Wages to Qualify
- Exclusions
- Q&A

# ERC - What is it?

Refundable, payroll tax credit to incentivize the retention of employees during the time affected by government-ordered shutdowns or with a significant decline in gross receipts due to the coronavirus.



## ERC - Cont.

- Goes on the 941, 941-X quarterly payroll tax returns
- Has its own Worksheet in the 941 instructions
- Remember, refundable means if the credit exceeds the tax liability, they get the remainder of the credit back in the form of a refund check.

# Rules for 2020

An Eligible Employer for purposes of the Employee Retention Credit is one that carries on a trade or business during calendar year 2020, including a tax-exempt organization, that either:

- **Fully or partially suspended business operations during any calendar quarter in 2020** 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.

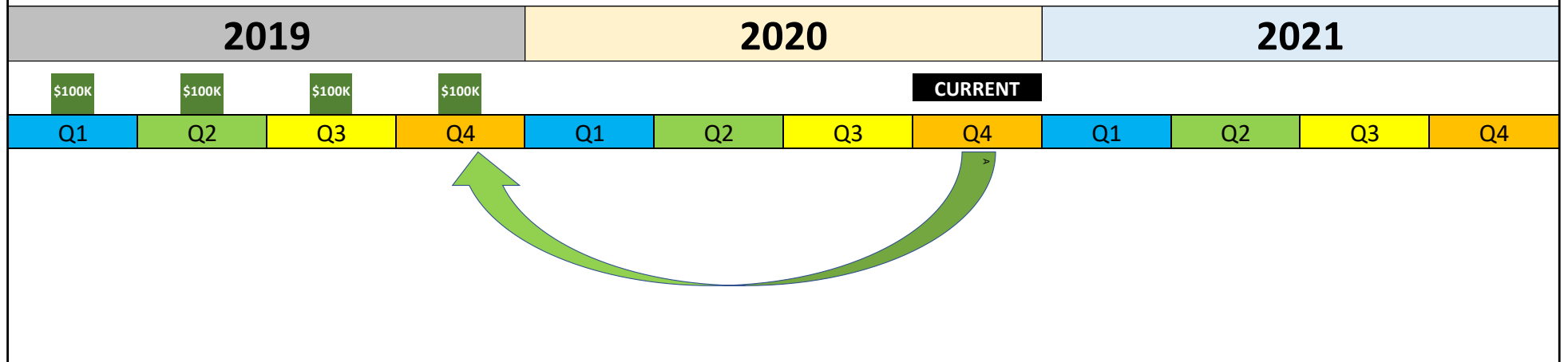
OR:

- **Experiences a significant decline in gross receipts during the calendar quarter.** A significant decline in gross receipts begins with the first quarter in which an employer's gross receipts for a calendar quarter in 2020 are less than 50 percent of its gross receipts for the same calendar quarter in 2019. The significant decline in gross receipts ends with the first calendar quarter that follows the first calendar quarter for which the employer's 2020 gross receipts for the quarter are greater than 80 percent of its gross receipts for the same calendar quarter during 2019.

# 2020 Gross Receipts Test

In 2020, current Q gross receipts must be <50% gross receipts of same Q from 2019

Ex - Q4 2020: Compare **Q4 2020** to **Q4 2019**



# Rules for 2020 Cont.

- The calculations for 2020 (and 2021) depend on the monthly average number of full-time employees (*not* full-time equivalents) for 2019.
- Look at the number of employees that worked 30 hours/week in each month, or 130 hours/month for each month.
- Average that across the 12 months.
- If the number is less than or equal to 100 (for 2020), then you get to qualify the entire payroll.
- If the number is greater than 100, then you only get to qualify individuals who were paid not to work. This includes healthcare premiums for individuals on furlough.

# Rules for 2020 Cont.

- When you have multiple FEINs, you need to do a controlled group analysis.
- The over/under 100 full-time employee count and the gross receipts test are done at the controlled group level, not the individual FEIN level.

# Rules for 2020 Cont.

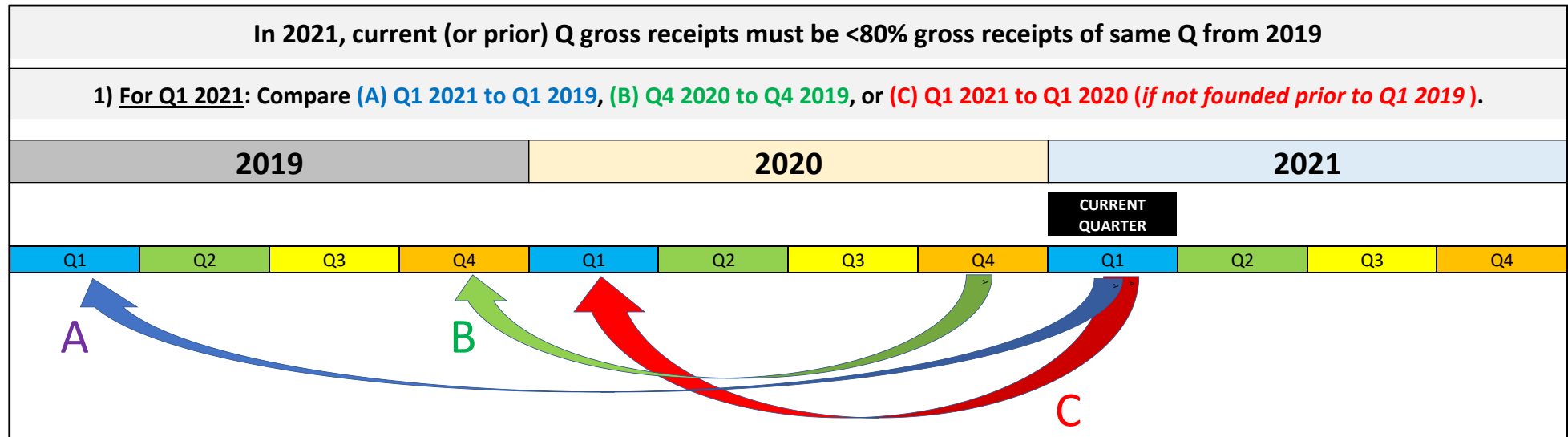
- The ERC for 2020 is a 50% credit on the first 10,000 in qualified wages per employee for the year.
- You can qualify healthcare premiums paid by the employer toward the 10K as well.
- This means you can have a max credit of 5,000 per employee in 2020.

# 2021 Changes

- The original law did not allow a taxpayer to take the PPP and the ERC. They had to pick one or the other. Now, a taxpayer can take both.
- The credit amount is increased from a 50% credit per year to a 70% *per quarter*. This means a maximum 7,000 credit per employee *per quarter*.
- Changes the gross receipts test from a 50% decrease to a 20% decrease.
  - Additionally, you can look at the prior quarter to determine if you qualify under this definition.
- Changes the over/under 100 full-time employees test to over/under 500 full-time employees.



# 2021 Changes - Gross Receipts Test



# What wages qualify?

- Wages subject to FICA, as well as qualified health expenses.
- The earliest pay date we can look at is March 13, 2020. This is when the program went into effect.
- Can *not* take into account owners with more than 50% ownership.
  - Have to aggregate husband/wife for this.
- Can *not* take into account certain familial relations to owners with more than 50%.
- Can *not* take into account priests/ministers/pastors.

# Exclusions

- Several exclusions for double dipping on same wages.
  - PPP
  - WOTC
  - EFMLA or EPSLA payroll credits (COVID payroll credits)
- You can take each of these programs, just not for the same wages.
- Our calculator calculates the PPP and EFMLA/EPSLA exclusions.
- If a client is using HIREtech for WOTC, our system automatically adjusts the WOTC wages to account for ERC
- PPP > ERC > WOTC

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# Q&A



## **GTM Payroll Services**

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# **Thank You for Attending!**