

# EMPLOYEE RETENTION TAX CREDIT

The refundable Employee Retention Tax Credit is available to employers through December 31, 2021. To find out what tax relief is available to you, please use the [IRS's Business Tax Relief Tool](#).

## WHO QUALIFIES

- Non-Profit Organizations
- S-Corporations<sup>1</sup>
- Partnerships (including Limited Liability Companies)<sup>2</sup>
- Sole Proprietorships<sup>2</sup>
- C-Corporations

## ADDITIONAL ELIGIBILITY REQUIREMENTS

- Eligible employers must have been operational in 2020 or 2021 and either—
  - Forced to fully or partially suspend operations due to a government order, or
  - Experienced at least a 20 percent decline in a quarter in 2021 compared to the same quarter in 2019<sup>3</sup>.
- Businesses and organizations that receive loan forgiveness through the Paycheck Protection Program (PPP) cannot claim the credit for the same employee compensation that the PPP loan covered.
- Governmental entities are not eligible, unless they are a college, university, or a medical facility.

## HOW DOES IT WORK?

- Any non-governmental employer can claim a refundable tax credit against the quarterly-paid employer portion of Social Security taxes (6.2% of wages). The credit is worth 70% of eligible compensation<sup>4</sup> (including group health benefits), up to \$10,000 in employee compensation, providing a maximum credit of \$7,000 per employee per quarter. If the credit is higher than the amount of Social Security taxes owed, in relation to each employee, the excess amount will be given to the employer in the form of a tax refund. For more information, please see the IRS's FAQ [here](#).
- Employers with 500 full-time employees or less can claim the credit for the compensation provided to employees that are still working. Those with more than 500 full-time employees can only claim the credit for the compensation provided to employees that are not working, unless the employer experiences a 90% or more decline in revenue. For more information, please see the [IRS's website](#).
- The credit can also be claimed for group health benefits provided to employees that are not receiving wages (furloughed) or for hazard pay or bonuses.

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## FURTHER INFORMATION

- To find out what tax relief is available to you, please use the [IRS's Business Tax Relief Tool](#). If you need further guidance in relation to your specific situation, particularly if you have extenuating circumstances, please contact the IRS using the following information:<sup>5</sup>
- For Individuals: 800-829-1040
- For Businesses: 800-829-4933
- For Non-Profits: 877-829-5500
- For Hearing Impaired: TTY/TDD 800-829-4059

1. Only in relation to employee Social Security taxes (FICA, not SECA).
2. Any employee paid leave benefit that is eligible for a tax credit under the Families First Coronavirus Response Act cannot be included in the calculation of employee compensation.
3. To be eligible to claim the credit for a quarter in 2020, the employer must have experienced at least a 50 percent decline in a quarter in 2020 compared to the same quarter in 2019. For more information, please see IRS guidance [here](#).
4. Any employee paid leave benefit that is eligible for a tax credit under the Families First Coronavirus Response Act cannot be included in the calculation of employee compensation.
5. Due to high call volumes, the IRS is warning that wait times may be exceptionally long.