

Employee Retention Tax Credit: Why Leave the Potential for Big Money on the Table?



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Gene Marks:

Hi everybody, this is Gene Marks and welcome to our new weekly series called On the Mark, where I am going to be updating you on issues and news events, advice and topics that impact your small business every single week. This week we are going to be talking about the Employee Retention Tax Credit.

These are my thoughts coming from me as a certified public accountant and also someone who has been dealing with this and talking about this and writing about this issue for many, many months.

And I just want to make sure that you, as a business owner or manager or somebody that's, you know, in charge of people in your business are fully aware of what this Employee Retention Tax Credit is because it's so important and could put so much cash into your pocket as a business owner that it's not something that you should ignore.

So, let me try and explain this to you is as simply as I possibly can. You know, this is a credit against your payroll taxes. It goes back almost to the beginning of 2020, and it lasts all the way through the third quarter of 2021.

The credit is based on quarterly payroll, and it's something that you have to determine whether or not you are eligible for or not. But if you're eligible for this credit, you can take it against your payroll taxes in that eligible quarter, and if the credit is bigger than the payroll taxes that you paid, you will get the money back in cash.

Now, this Employee Retention Tax Credit was started because of COVID-19. It was one of the one of the stimulus bills, and then it was extended in another stimulus bill into 2021.

The rules for 2020 and the rules for 2021 are different. However, the eligibility is pretty much the same. So, you have to ask yourself, is my business eligible for the Employee Retention Tax Credit? And there's really three ways to determine that.

Number one: Was your business fully shut down at any point, pretty much in 2020 and through the third quarter of 2021, just shut down because of a government lockdown. That's one.

Number two: if your business was shut down because of the government partially. And what I mean by partially is you had to disrupt your operations. It's kind of like if you're a restaurant and you were able to stay open, but you could only make deliveries because people couldn't come inside your restaurant to eat. So, that's sort of like a partial shutdown as well as opposed to some businesses that were fully shutdown.

So, there's definitions for fully shutdown, and there is a criteria for being partially shutdown and you might fall into either one of those two categories. And if you are in one of those two categories, you're eligible for the Employee Retention Tax Credit in the quarter that that happened.

There's a third test of eligibility. And by the way, these could be any one of these three — it doesn't have to be all three or a combination.

But the third test is if you lost revenue. In the three quarters that this applies to in 2020, the question is whether or not your revenues were 50% less than the corresponding quarter in 2019. In 2021, for the three quarters that this applies to, it looks at whether your revenues were 20%, not 50, but 20% less than the corresponding quarter in 2019.

So again, if your revenues were 50% less in any of these quarters that this applies to in 2020 compared to the same quarter in 2019, you're eligible. If that was 20% less your revenues in 2021 compared to the same quarter in 2019, you're eligible as well. Now there's a lot more details. I'm not going to get into the details, dates being involved, sides of your business. Some businesses are allowed to continue to claim this, be eligible through the end of the year in 2021. You have to talk to an expert about this, and I'm going to get to where to find the experts in just a minute.

But you have to determine if you're eligible. If you are eligible, then you go through a calculation. Just to give you an example, you could get up to a \$7,000 dollar per employee credit in any quarter through September 30th of 2021 — if you are eligible and you are able to claim the Employee Retention Tax Credit. Up to \$7,000 per employee for that quarter if you're eligible, there's a calculation you have to go through to see exactly what your credit is worth. And if that's the case, you take that credit against the payroll taxes that you paid.

So, remember, you can go back to any of these quarters and amend these returns. There's a statute of limitations, period, but we're well within it. You can go back and amend the returns. So, if you feel like you're eligible, you can talk to a payroll expert, go back to that quarter, amend the return, do the calculation to see what your Employee Retention Tax Credit is, take it against the payroll taxes that you paid back in that quarter — you'll get the money back in cash if the credit exceeds the payroll taxes that you paid.

That's how giant that it is. So giant, guys that you know, I have some clients — actually quite a few clients — that are literally foregoing their Paycheck Protection Program forgiveness because they're saying, "You know what? We can't use the same payroll money for Paycheck Protection Forgiveness and the Employee Retention Tax Credit." They'd rather just leave the PPP loan out there at 1% interest for five years — they'll worry about that later — and get the money now through the Employee Retention Tax Credit.

So, I hope I've taken this very complicated topic and simplified it a little bit. But just as if everything that the government has, it ain't simple. It is something that you are going to need help to do. There is no blame in that I know. There is no business owner, there is no client that I know that can really walk through this

process on their own because the calculations, as you can expect, are complicated and to see whether you are eligible, it's complicated as well.

So, look, you know, this is a Paychex podcast. Okay, I mean, this is what Paychex does. They have a service that helps their clients — new or existing — calculate, first of all, determine whether they're eligible in any of these quarters in 2020 and 2021 and then go through the calculation as well. They will help you do this.

If you need help, go to payx.me/ertc-service. That's payx.me/ertc-service. You will be able to connect with a Paychex professional. They will be able to help you figure out whether you are eligible and then also help you calculate what your Employee Retention Tax Credit is. Guys, I am telling you it could be big bucks that you could put in your bank account. The least that you should be doing is seeing or not if you are potentially eligible. If you're not, you're not. But why leave all that money on the table when it's yours to grab?

So, that is my advice on the Employee Retention Tax Credit. Take advantage of it now. Reach out to Paychex or talk to your accountant or whoever you rely the most on as your expert in payroll and get that calculation done. You will thank me for listening to this short podcast. I hope this definitely helps.

I'm Gene Marks, and thanks very much for listening to "On the Mark". We'll be back to you next week with a new topic. Bit of advice, a little bit of news, something that will help you run your small business.

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