

CARES Act BULLETIN #CR-02  
Employee Retention Credit

<p>How much is the credit?</p>	<ul style="list-style-type: none"> <li>The refundable credit could be used against the employer's 6.2% portion of the Social Security (OASDI) payroll tax (or against the Railroad Retirement tax) for 50% of certain wages (see below) paid to employees during the COVID-19 crisis.</li> <li>A maximum credit is \$5,000 per employee.</li> </ul>
<p>Who are eligible employers?</p>	<p>Eligible employers are:</p> <ul style="list-style-type: none"> <li>Corporations, pass-through entities, such as LLCs, S corporations, partnerships, and sole proprietors whose operations have been fully or partially suspended pursuant to a governmental order related to COVID-19, or have experienced a decline in gross receipts by more than 50% in a quarter compared to the same quarter in 2019, during the period from March 13, 2020 through December 31, 2020.</li> <li>Tax exempt organizations are also eligible if the operations have been fully or partially suspended.</li> </ul>
<p>How much of an employee's compensation counts towards the credit?</p>	<ul style="list-style-type: none"> <li>The credit is available for qualified wages paid from March 13, 2020 through December 31, 2020.</li> <li>Eligible employers with more than 100 full-time employees: Wages paid to employees when they are not providing services due to a governmental order related to COVID-19.</li> <li>Eligible employers with 100 or fewer full-time employees: All wages, whether or not the employee is providing services to the employer.</li> <li>Regardless of business size, qualified wages include certain healthcare costs paid by an employer to maintain a group health plan.</li> </ul>
<p>How do I claim the credit?</p>	<ul style="list-style-type: none"> <li>The tax credit may be claimed against the employer portion of employment taxes, including Social Security and Railroad Retirement payroll taxes.</li> <li>The remaining portion is refundable and can be claimed by filing Form 7200.</li> <li>The IRS is expected to provide guidance regarding the process for claiming the credit and receiving the refund.</li> </ul>
<p>Are there any restrictions or exclusions?</p>	<ul style="list-style-type: none"> <li>The credit is <u>not</u> available for wages taken into account for the following purposes: <ul style="list-style-type: none"> <li>The amount of qualified sick and family leave wages for which the employer received tax credits under the Families First Coronavirus Response Act;</li> <li>Wages taken into account for Section 45S Employer Credit for Paid Family and Medical Leave; or</li> <li>Wages in a period in which an employer is allowed for a work opportunity credit.</li> </ul> </li> <li>The credit is also <u>not</u> available to employers receiving a small business interruption loan under the SBA's Paycheck Protection Program.</li> </ul>