

Welcome to today's webinar

The event will start shortly



Dominion Payroll™
Empowering Your Business

ERC (Employee Retention Credit)

The ERC is a refundable credit that businesses can claim on qualified wages, including certain health insurance costs, paid to employees.

Time Periods Covered by Each Act

- CARES Act: Wages paid between March 13, 2020 through Dec. 31, 2020.
- CAA: Wages paid between Jan. 1, 2021 through June 30, 2021.
- ARPA: Wages paid between July 1, 2021 through Dec. 31, 2021.



What Employers Qualify for the ERC

Most employers, including colleges, universities, hospitals and 501(c) organizations following the enactment of the American Rescue Plan Act (ARPA), can qualify for the credit.

Previously, the Consolidated Appropriations Act (CAA) expanded qualifications to include businesses who took a loan under the Paycheck Protection Program (PPP), including borrowers from the initial round of PPP who originally were ineligible to claim the tax credit.



How do I know if I qualify?

Qualification is determined by one of two factors for eligible employers — and one of these factors must apply in the calendar quarter the employer wishes to utilize the credit:

1) A trade or business that was fully or partially suspended or had to reduce business hours due to a government order. The credit applies only for the portion of the quarter the business is suspended, not the entire quarter.

Some businesses, based on IRS guidance, generally do not meet this factor test and would not qualify.

- Those considered essential, unless they have supply of critical material/goods disrupted in manner that affects their ability to continue to operate.
- Businesses shuttered but able to continue their operations largely intact through telework.

However, any of these businesses still may qualify for the credit with the second factor test.



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2) An employer that has a significant decline in gross receipts.

CARES Act – 2020

Generally, if gross receipts in a calendar quarter are below 50% of gross receipts when compared to the same calendar quarter in 2019, an employer would qualify. They are no longer eligible if in the calendar quarter immediately following their quarter gross receipts exceed 80% compared to the same calendar quarter in 2019.

Consolidated Appropriations Act, 2021

Beginning in 2021, businesses must be impacted by forced closures or quarantines or have seen more than 20% drop in gross receipts in the quarter compared to the same quarter in 2019.

If you are a new business, the IRS allows the use of gross receipts for the quarter in which you started business as a reference for any quarter which they do not have 2019 figures because you were not yet in business.



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American Rescue Plan Act – 2021

In addition to eligibility requirements under the Consolidated Appropriations Act, 2021, business also have the option of determining eligibility based on gross receipts in the immediately preceding calendar quarter (compared with the corresponding quarter in 2019).

Note: A member of controlled or affiliated service groups are considered a single employer, so they must aggregate their gross receipts to determine when and if they qualify.

- While additional information is required as to what changes will be made on the tax forms required to claim the credit, employers will use Form 941-X to retroactively file for the applicable quarter(s) in which the qualified wages were paid.



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Amount of Credit

CARES Act: 50% of the qualified wages paid to the employee, plus the cost to provide health benefits to the employee. Credit max \$5000/EE total for 2020 (3/13/2020-12/31/2020)

CAA: Effective Jan. 1, 2021, the credit amount is increased to 70% of qualified wages, which includes the cost to continue providing health benefits. Credit max \$7000/EE/quarter (1/1/2021 – 6/30/2021)

ARPA: Retains 70% credit for qualified wages paid between July 1, 2021 and Dec. 31, 2021, which includes the cost to provide health benefits. Credit max \$7000/EE/quarter (7/1/2021 – 12/31/2021)



What Wages Qualify for ERC

Wages/compensation, in general, that are subject to FICA taxes, as well as qualified health expenses qualify when calculating the employee retention credit. These must have been paid after March 12, 2020 and qualify for the credit if paid through Dec. 31, 2021.

Remember, the credit can only be taken on wages that are not forgiven or expected to be forgiven under PPP.

When determining the qualified health expenses, the IRS has multiple ways of calculating depending on circumstances. Generally, they include the employer and employee pretax portion and not any after-tax amounts.



What Wages Qualify for ERC

When determining the qualified wages that can be included, an employer must first determine the number of full-time employees.

For the purposes of the employee retention credit, a full-time employee is defined as one that in any calendar month in 2019 worked at least 30 hours per week or 130 hours in a month (this is the monthly equivalent of 30 hours per week) and the definition based on the employer shared responsibility provision in the ACA.

Employers who were in business the entire calendar year in 2019 or 2020 would take the sum of the number of full-time employees in each calendar month and divide by 12

Note: The employee calculation of full-time equivalent (FTE) used for the PPP forgiveness report is not calculated the same way as a full-time employee for the employee retention credit.



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Maximum Credit Amount

CARES Act: The credit is capped at \$5,000 for all qualified wages paid between March 13, 2020 and Dec. 31, 2020 (the credit amount allowed for \$10,000 in qualified wages \times 50% credit rate).

CAA: The credit rate cap is increased to \$7,000 per quarter for qualified wages paid between Jan. 1, 2021 and June 30, 2021 (the credit for \$10,000 in qualified wages \times 70%).

ARPA: The credit continues to be capped at \$7,000 per quarter for qualified wages paid between July 1, 2021 and Dec. 31, 2021.



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Credit Eligibility Whether or Not an Employee is Working

CARES Act: For a company that had more than 100 Full time employees in 2019, no credit is available for wages paid to an employee performing services for the employer (either teleworking, or working at the workplace, even though at reduced capacity due to reduction in business). To determine this 100-employee threshold, the employees of all affiliated companies sharing more the 50% common ownership are aggregated. On the other hand, a company that had 100 or less employees in 2019 is eligible for the credit, even if its employees were working.

CAA: Effective Jan. 1, 2021, this threshold was raised to a company that had more than 500 employees in 2019, so that for the first two quarters of 2021, a company that had 500 or fewer employees in 2019 will be eligible for the credit, even if its employees are working. The same aggregation rules to include employees of related companies sharing more than 50% common ownership under the CARES Act remain in effect.



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Credit Eligibility Whether or Not an Employee is Working

ARPA: Continues the 500-employee threshold as in CAA, but adds a new category, a Severely Financially Distressed Employer (SFDE). This is a company whose gross receipts for the quarter are less than 10% of gross receipts for the same quarter in 2019 (i.e., a reduction in gross receipts of more than 90%). A SFDE is allowed the credit if its employees are performing services, even if it had more than 500 employees in 2019. This would potentially apply to companies in severely distressed industries, such as the cruise, hospitality, and entertainment industries. Because the effective date of ARPA is July 1, 2021, however, a SFDE will only be eligible to claim the credit for the second two quarters of 2021. Furthermore, because of the election to allow a company to calculate credit eligibility by testing gross receipts for the prior quarter, a company could use its second quarter 2021 gross receipts compared to its second quarter 2019 gross receipts to determine whether it qualifies as an SFDE (and use third quarter 2021 gross receipts to test whether it qualifies as an SFDE for the fourth quarter).



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Paycheck Protection Program (PPP) Loans

CARES Act: Under the original credit rule, a company that received a PPP loan was not eligible to claim the employee retention tax credit.

CAA: The credit prohibition for PPP borrowers was repealed retroactively, and allowed the credit for wages that were not paid with the proceeds of a PPP loan. Conversely, the credit is not allowed for wages paid with the proceeds of a PPP loan.

ARPA: Same as CAA, but also adds that the credit is not allowed for wages paid with the proceeds of entertainment venue grants or restaurant revitalization grants.



If you think you qualify, now what?

Reach out to Customer Service

They will send you a link to our ERC survey

Thank you for reaching out about the Employee Retention Credit (ERC) program!

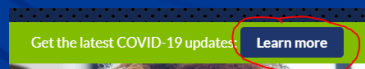
Below you will find a link to the Dominion Payroll ERC survey. Also provided is a pricing sheet for our ERC services.

Let us know if you have any questions!

<https://app.smartsheet.com/b/form/b20a5f57dfdd487292d94ad117d94bf3>

Employee_...
application/
710.7 KB

You can also access the survey on our website



Covid-19 Business Resources

Updated 4.21.21

Webinars

Forms & Info

HR Compliance

Employee Retention Tax Credit (ERC)

[Overview of 2020 + 2021 ERC](#)

[Employee Retention Credit Program Survey](#) Please fill out if you think you're eligible

If you indicate you are 2020 eligible, you will receive an automated response from our tax team

Dear Client,

You've shared interest in having Dominion Payroll assist you with claiming your Employee Retention Tax Credits (ERTC) for 2020.

Please take a look at these 2 forms to help us get started:

- [ERC Instructions for DP Clients](#)

This is an informational document that provides an overview of the ERC services that DP offers

- [ERC Addendum](#)

This is an addendum that we'll need you to sign and return before we can move on to our next step

Please reply back to this email with your signed ERC Addendum and one of our experts will contact you shortly!



If you indicate you are 2021 eligible, you will receive an automated response from our tax team

Dear Client,

Thank you for filling out our ERC survey!

Before we can process ERC credits for 2021, we just need to verify your qualifying reason and your eligible dates.

Which qualifier do you meet?

1. A trade or business that is fully or partially suspended or has had to reduce business hours due to a government order, or
2. You have had a decline of gross receipts of more than 20% for Q4 2020 as compared to Q4 2019 or Q1 2021 as compared to Q4 2019.

Also let us know the date range in 2021 Q1 that you are eligible for ERC. We see that you have a 2021 PPP loan; payrolls that you allocate to PPP are not permitted to be allocated to ERC.

Thanks for your help!



Questions?

For legislative and regulatory questions, please email:

questions@dominionpayroll.com





Don't forget to wash your hands!

