

# CARES Act: Employee Retention Tax Credit (extended through 6/30/21)

## Dec 2020 Update: Retention Tax Credit Revised and Expanded

The Consolidated Appropriations Act, 2021 extends and expands the availability of the CARES Act employee retention tax credit through June 30, 2021, however, certain provisions of the Act apply only after December 31, 2020.

The Act amends the employee retention credit to be equal to 70% of qualified wages paid to employees after December 31, 2020, and before July 1, 2021.

During the first two quarters of 2021, a maximum of \$10,000 in qualified wages for each employee per calendar quarter may be counted in determining the 70% credit. Therefore, the maximum tax credit that can be claimed by an eligible employer in 2021 is \$7,000 per employee per calendar quarter.

Read the rest of the article:

[Consolidated Appropriations Act, 2021: PPP and Tax Provisions](#)

Jackson Lewis | Dec 2020

The Appropriations Act modifies the Employee Retention Tax Credit in various ways, including by (1) increasing the tax credit percentage from 50% of qualified wages to 70% of such wages, (2) increasing the \$10,000 annual cap on eligible employee wages to a \$10,000 quarterly cap on eligible employee wages, (3) extending the tax credit until June 30, 2021 (the credit was previously scheduled to expire on December 31, 2020), (4) providing that the credit may be available to employers who came into existence during 2019, and (5) allowing eligible employers with 500 or fewer employees to claim an advance payment of the tax credit for any quarter in an amount not to exceed 70% of the average quarterly wages paid by the employer during 2019 (subject to certain provisions for seasonal employers).

**The changes described in the above paragraph are effective for all calendar quarters beginning after December 31, 2020. In other words, the changes are not retroactive to the inception of the Employee Retention Tax Credit.**

[Summary of Certain Business Tax Provisions in the Consolidated Appropriations Act, 2021](#)

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Employers who have suffered shutdowns or other economic decline should reevaluate

their ability to utilize the ERC under the enhanced rules provided by the CAA. Many employers, especially those with between 100 and 500 employees, may find themselves able to derive more benefit from the program under the CAA.

[Consolidated Appropriations Act Expands Employee Retention Credit](#)

Hodgson Russ | Dec 2020

The COVID relief legislation, signed into law on December 27, 2020, includes an extension and enhancements to the Employee Retention Credit (ERC) along with technical corrections. Most notable is a retroactive change allowing eligible employers to take the ERC in addition to a Paycheck Protection Program (PPP) loan, which was previously prohibited.

[COVID Relief Legislation: Employee Retention Credit](#)

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### **Original Development**

The federal government's Paycheck Protection Program (PPP) has received overwhelming interest from small businesses impacted by the coronavirus pandemic—funds even ran out at one point—but it's not the only game in town.

"While struggling businesses have grappled with the complex qualification and application rules of the PPP, those businesses should also consider the employee retention credit (ERC)," said Rick Cox, a corporate attorney with Nixon Peabody in New York City and member of the firm's tax team. "In many instances, the ERC will be a better choice."

Part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, the ERC incentivizes companies to retain employees despite the tough economic conditions that have resulted from the COVID-19 outbreak.

"Applied to payroll taxes paid by the employer, the credit may help businesses retain employees instead of resorting to layoffs or furloughs," said Jimmy Rodefer, CEO of Rodefer Moss, an accounting firm in Knoxville, Tenn.

Read the rest of the article:

[New Tax Credit Helps Small Businesses Keep Staff During Pandemic](#)

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### **IRS Guidance and Resources**

[New Guidance Sheds Light on the Employee Retention Credit](#)

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[FAQs: Employee Retention Credit under the CARES Act](#)

IRS

[Employee Retention Credit available for many businesses financially impacted by](#)

[COVID-19](#)  
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[Employee Retention Credit](#)  
IRS

Available on qualified wages paid after March 12, 2020, through and including December 31, 2020.

### **Receiving the Credit**

Employers can be immediately reimbursed for the credit by reducing their required deposits of payroll taxes that have been withheld from employees' wages by the amount of the credit.

Eligible employers will report their total qualified wages and the related health insurance costs for each quarter on their quarterly employment tax returns or Form 941 beginning with the second quarter. If the employer's employment tax deposits are not sufficient to cover the credit, the employer may receive an advance payment from the IRS by submitting [Form 7200, Advance Payment of Employer Credits Due to COVID-19](#).

Eligible employers can also request an advance of the Employee Retention Credit by submitting [Form 7200](#).



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