



Next Steps to COVID Business Recovery

A detailed guide to obtaining
the Employee Retention Credit



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NEXT STEPS TO RECOVERY

As your client's businesses move from COVID response toward recovery, we recognize the challenges you may face in developing and executing tax credit strategies for them. We plan to cover a few strategies in this white paper. But first let's take a look at the brief history of the Employee Retention Credit.

Back in April 2020 the CARES Act came about as a first step to helping businesses get through the economic downturn associated with the COVID-19 pandemic. The stimulus package stated that you can apply for the PPP loans or the Employee Retention Credit (ERC) but not both. The ERC was therefore largely ignored. Then on December 21st, 2020, the \$2.3T Consolidated Appropriations Act was signed into law. This allowed for the ERC to be taken along with the PPP2 for the 2021 program. It also allowed for a look back at 2020 and to take the ERC with the PPP1 retroactively.

Suddenly the ERC was a good option for everyone who could qualify. The next stimulus package, the \$1.9T America Rescue Plan signed into law on March 11, 2021, pumped in more money and extended the Employee Retention Credit until the end of 2021.



As of today, the PPP2 has run out of money and so the Employee Retention Credit is now the next step available to businesses to assist in COVID Business Recovery in 2021.

Past disaster relief tax credits, (Hurricane Katrina, Hugo, Sandy etc.) were claimed against income taxes. This incentive can be taken as a credit against a company's payroll taxes adjusted on their quarterly 941 filing.

A photograph of two men on a modern staircase. The man in the foreground is smiling and looking to the right, wearing a grey button-down shirt under a dark blazer and dark trousers. The man behind him is also looking to the right. The staircase has white steps and a wooden wall with a metal mesh railing.

ERC OVERVIEW

The Employee Retention Credit is a tax credit available to employers who continue to pay their employees during periods of severe economic decline as prompted by the Coronavirus pandemic.



ERC Statistics

1

80%

of companies that received
PPP qualify for the ERC*

2

\$33K

maximum credit per
employee

3

\$500K

average client credit*

*Data based on MASSIE clients.

ERC

QUALIFICATIONS

Most Companies Qualify

Now it's easier to qualify; more employers are eligible and more credits are available to businesses. If any of the below are true for 2020 or 2021, you may qualify.



Temporary closure or suspension of a project
(2020 and/or 2021)



Revenue down
(50% or more in 2020 and/or 20% or more in 2021)

Who qualifies?

All employers that carry on a trade or business that meet either of the following criteria in either year:

2020 Qualifications

- Significant decline in Gross Receipts (50% or more as compared to the same quarter in 2019; eligibility ends when decline is less than 20%).
- Or
- Full or Partial closure, limiting commerce, travel, or group meetings.

2021 Qualifications

- Significant decline in Gross Receipts (20% or more as compared to the same quarter in 2019).
- Or
- Full or Partial closure, limiting commerce, travel, or group meetings.

Note: Under the CARES Act, businesses that elected to take PPP loans were not eligible to take the ERC credit. This provision was repealed retroactively with the passage of the Consolidated Appropriation Act of 2021. To receive an ERC, an employer must qualify as an “eligible employer.” “Employer” here includes all members of a controlled group under IRC Section 52 (e.g., for a parent and subsidiaries, based on a greater than 50% ownership test) or Section 414(m) (affiliated service group) on an aggregated basis.



Find out more: massietaxcredits.com/erccpa

How much is the credit?

2020 Qualifications

- 50% of qualifying wages, per employee per quarter, up to \$10,000 when aggregated for all quarters.
- Maximum credit = \$5,000 per employee

2021 Qualifications

- 70% of qualifying wages, up to \$10,000 in wages per employee per quarter.
- Maximum credit = \$28,000 per employee

Note: If the company qualifies for the credit in both 2020 and 2021, the credit could be as much as \$33,000 per employee.

What are qualifying wages?

2020 Qualifying Wages

Under 100 Employees:

- Wages paid to employees during the suspension of operations or period of significant Gross Receipts decline.

Over 100 Employees:

- Wages paid to employees while they are not performing services during the suspension of operations or period of significant Gross Receipts decline.

2021 Qualifying Wages

Under 500 Employees:

- Wages paid to employees during the suspension of operations or period of significant Gross Receipts decline.

Over 500 Employees:

- Wages paid to employees while they are not performing services during the suspension of operations or period of significant Gross Receipts decline.

Note: Qualified wages must exclude wages that were paid with PPP loan proceeds that are forgiven or are expected to be forgiven.

FAQs

1

Do we qualify if we took the PPP?

Under the CARES Act, businesses that elected to take PPP loans were not eligible to take the ERC credit. This provision was repealed retroactively with the passage of the Consolidated Appropriation Act of 2021. Qualified wages must exclude wages that were paid with PPP loan proceeds that are forgiven or are expected to be forgiven.

2

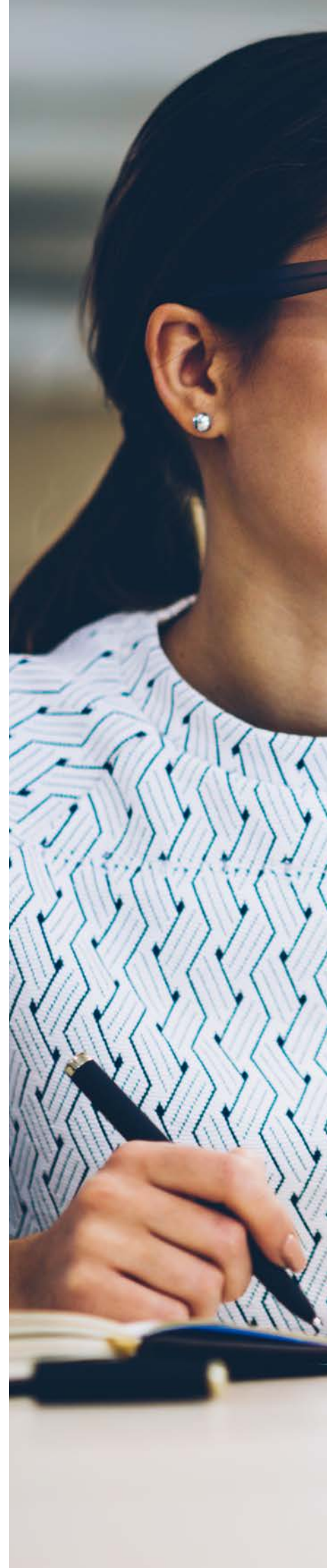
Do we qualify if our business is essential and we never shut down?

Even essential businesses that can show that due to a governmental order, they were more than nominally impacted can qualify. For example: Your suppliers were shut down and so could not provide you with what you needed to operate effectively. Your clients may have been shut down or not allowing you on-site (e.g., schools, hospitals, airports, etc.). A change in operations can mean many different things. It is best to talk to a tax credit expert regarding impacts to your business.

3

What if we were profitable, would we qualify?

Even if your company's Gross Receipts were down but you were profitable you may qualify. If you had Gross Receipts reductions of 50% or more in 2020 or 20% or more in 2021, you would be eligible under this test. The profitability of the company is not a factor; you qualify if your business has been impacted in some way by the pandemic.





4

Do non-profits qualify?

Non-profits or organizations who don't pay taxes can qualify for this credit. This credit also applies to tax-exempt organizations if the operation of the organization is fully or partially suspended due to governmental orders, or can meet the Gross Receipts decline requirements in either 2020 or 2021. Gross Receipts for a non-profit may be donations, or whatever way you typically fund your business.

5

How do I get my benefit?

There are several ways to receive the benefit from this credit.

- 1) For past quarters you can file an adjusted return or claim for a refund using form 941-X. A refund will be sent to you from the IRS.
- 2) You can obtain your ERC instantly for Q2, Q3 and Q4 2021 by reducing your employment tax deposits.
- 3) Also for Q2, Q3 and Q4 2021, and if you are sure you will qualify in the current quarter and have less than 500 employees, you may request advance payment of the credit using Form 7200, Advance of Employer Credits Due to COVID-19.

OUR COMPANY

The Employee Retention Credit can be a very complicated calculation that requires payroll and tax credit expertise. The amount of ERC will vary depending on the period, your number of employees, qualifying wages, and other factors. For the past 16 years, MASSIE has been a leader in the tax credit industry specializing in R&D Tax Credits, Disaster Relief Tax Credits and COVID-19 Payroll Credits.

**We do the work for you, expertly prepared,
with no money left on the table.**



Locations around
the U.S.

10+
YEARS

Every person on the MASSIE
team has 10+ years of tax
credit experience - our team
includes CPAs and Tax
Attorneys



Our clients love us
and our people love
what they do

Find out more: massietaxcredits.com/erccpa



"MASSIE handled our Employee Retention Credit. This included information gathering, calculation of the credit and issuance of a comprehensive report. They were efficient and professional and I highly recommend them."

Stephen C. Bongiorno
CFO, Ruttura & Sons

Credit Size Examples



Manufacturing

100
Employees

\$4,000

Average credit/employee

\$400,000
Potential Credit



Construction

200
Employees

\$6,000

Average credit/employee

\$1,200,000
Potential Credit



Transportation

300
Employees

\$14,000

Average credit/employee

\$4,200,000
Potential Credit



Get your clients the credit they deserve

For more detailed information on how MASSIE can help maximize your clients tax credits we invite you to visit massietaxcredits.com/erccpa. Or, better yet, give us a call and talk to one of our tax experts in person.

678.807.7228
info@massietaxcredits.com