

NFIB UPDATE

COVID-19 Webinar Series for Small Business

with Beth Milito and Holly Wade, NFIB



April 14, 2021

Special Guest - Jamie Trull, owner of Balance CFO, a financial literacy coach, and profit strategist for small business owners

Topic - Employee Retention Tax Credit Essentials



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- This is based on information available by 04/14/21.

Agenda

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- Covid-19 Small Business Resources
 - PPP Updates
 - EIDL Updates
 - Restaurant Revitalization Fund Updates
 - Shuttered Venue Operator Grant Updates
 - Jamie Trull – ERTC overview
 - Send questions to info@nfib.org

Upcoming Webinars

Wednesday, April 28th @ 12pm EST

Holly Wade and Beth Milito will provide updates to the:

- PPP
- EIDL
- ERTC
- Restaurant Revitalization Fund

and extra time to answer your questions!

Paycheck Protection Program EXTENSION

- New PPP loan application deadline is **May 31, 2021.**
- **PPP funds will likely run out by the end of the April.**
- On March 3, 2021, SBA announced PPP changes for Schedule C Filers (borrowers that file IRS Form 1040 Schedule C)
 - Income now encompasses borrower's net income and gross income to account for fixed and other business expenses.
 - The revised definition of income allows revisions to the loan amount calculation. More information on new loan calculation [HERE](#)

Economic Injury Disaster Loan



- Starting the week of April 6, 2021, the SBA is raising the loan limit for the COVID-19 EIDL program from 6-months of economic injury with a maximum loan amount of \$150,000 to up to 24-months of economic injury with a maximum loan amount of \$500,000.
- SBA will reach out directly via email closer to the April 6, 2021 implementation date to provide more details about how businesses can request an increase.
- If an applicant accepted a loan for less than the full amount originally offered, the applicant will have up to two years after the date of the loan promissory note to request to request additional funds. Applicants may continue to request additional funds even after the application deadline of December 31, 2021.
- SBA is extending deferment periods for all disaster loans, including COVID-19 EIDLs, until 2022 to offer more time for businesses to build back. SBA will extend the first payment due date for disaster loans made in 2020 to 24-months from the date of the note and to 18-months from the date of the note for all loans made in the calendar year 2021.



Restaurant Revitalization Fund



- Fund will be operated by the **Small Business Administration** (SBA).
- Eligible entities include businesses that were open on February 15, 2020, with funds available through December 31, 2021.
- Eligible businesses include restaurants, food stands, food trucks, food carts, caterers, saloons, inns, taverns, bars, lounges, brewpubs, tasting rooms, taprooms, licensed facilities or a premise of a beverage alcohol producer where the public may taste, sample, or purchase products, or other similar businesses where the public or patrons assemble for the primary purpose of being served food or drink. This also includes the same types of establishments located in an airport terminal or that are Tribally-owned.
- SBA will **NOT** require applicants to obtain a Dun and Bradstreet number (a “DUNS Number”) or to register with the federal System for Award Management (SAM.gov).



Shuttered Venue Operators Grant



- Fund will be operated by the **Small Business Administration** (SBA).
- Eligible entities must have been in operation by February 29, 2020.
- Grant amounts:
 - For an eligible entity in operation on January 1, 2019, grants will be for an amount equal to 45% of their 2019 gross earned revenue OR \$10 million, whichever is less.
 - For an eligible entity that began operation after January 1, 2019, grants will be for the average monthly gross earned revenue for each full month you were in operation during 2019 multiplied by six (6) OR \$10 million, whichever is less.

Shuttered Venue Operators Fund (cont.)

- Eligible entities:
 - Live venue operators or promoters
 - Theatrical producers
 - Live performing arts organization and motion picture theater operators
 - Relevant museum operators, zoos and aquariums who meet specific criteria.
 - Talent representatives
 - Up to five business entities owned by an eligible entity that also meet the eligibility requirements.

- [Application system re-opening soon!](#)

- Will need [SAM.gov registration to apply](#) (System for Awards Management)





Employee Retention Credit

APRIL 14, 2021

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resources at jamieTrull.com

Employee Retention Credit Facts

- 1** The Employee Retention Credit is a credit against the employer portion of payroll taxes paid for an employee. The credit is based on the qualifying wages paid, and can exceed the total amount of payroll taxes paid (i.e. it is fully refundable).
- 2** As of the December 27, 2020 Stimulus Bill, you can claim ERTC even if you received a PPP loan. You can claim it retroactively by filing a 941x.
- 3** For 2021, you can claim the tax credit on your quarterly 941, OR file a form 7200 with an estimate of your tax credit and get an advance payment on it.
- 4** Rules for how to qualify and calculate the credit are different between 2020 and 2021.
- 5** You can qualify for ERTC by either showing a drop in gross receipts (thresholds vary by year), or being fully or partially shut down.
- 6** You can qualify for ERTC due to results from the current quarter OR the previous quarter (i.e. if Q1 2021 was a qualifying quarter based on the gross receipts drop, Q2 2021 would automatically qualify EVEN IF you didn't have a drop in sales vs. Q2 2019).



What are qualified wages?

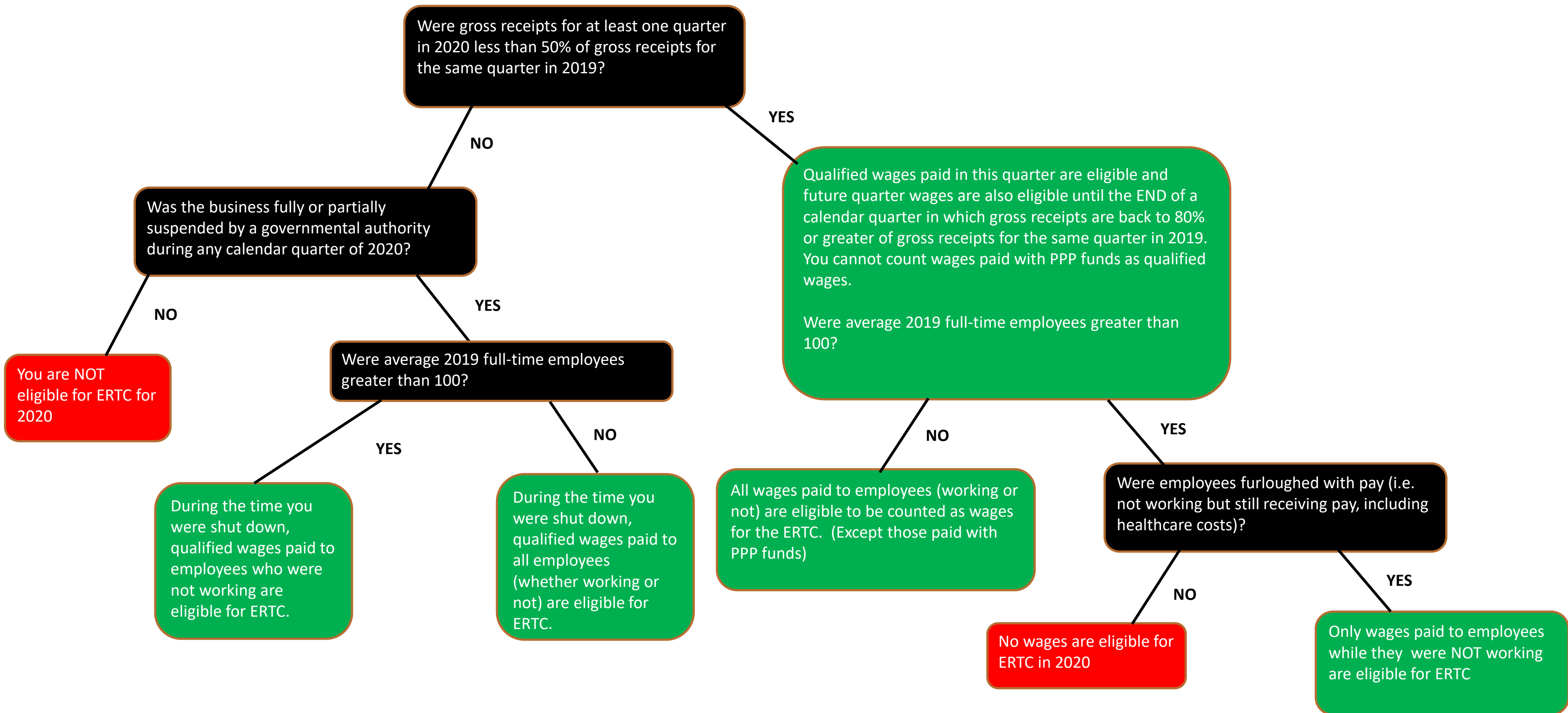
- All wages and compensation paid to employees that are subject to FICA taxes
- Employee health plan expenses
- Maximum of \$10k in qualifying wages per employee
- Related individuals cannot be included
- The wages considered qualifying depend on your number of full-time employees and vary by year

2020 vs 2021

	2020	2021
Start Being Eligible when	The first quarter that gross receipts are less than 50% compared to the same quarter in the previous year (i.e. Q2 2020 vs. Q2 2019) OR If no gross receipts drop, when your business is fully or partially suspended.	Any quarter in which gross receipts are 80% or less than the same quarter in prior year, OR If last quarter was 80% or less in gross receipts vs. the prior year* OR If no gross receipts drop, when your business is fully or partially suspended.
Stop Being Eligible when...	The quarter AFTER gross receipts get back to 80% of the same quarter in the year before. OR If no gross receipts drop, when your business reopens fully	The earlier of 1) the quarter AFTER gross receipts get back to 80% of the same quarter in the year prior, or 2) December 31, 2021 OR If no gross receipts drop, when your business reopens fully
How the Credit is Calculated	50% tax credit on qualified wages up to \$10k per employee for the YEAR. If over 100 employees, only wages paid to employees furloughed with pay count for ERTC.	70% tax credit on qualified wages up to \$10k per employee PER QUARTER* If over 500 employees, only wages paid to employees furloughed with pay count for ERTC.
Credit Maximums	\$5k per employee for the full-year 2020	\$7k per employee PER QUARTER in 2021 (max credit for the year is \$28k per employee)*
Available timeframe	March 13, 2020 – December 31, 2020	Jan 1, 20201 – December 31, 2021

*See 2021 ERTC Eligibility – Q3 and Q4 slides for exceptions to these rules related to Severely Financially Distressed Employers and Recovery Startup Businesses that started after February 15, 2020.

2020 ERTC Eligibility Decision Tree



Example 1 - 2020

Gross Receipts:

	2019	2020
Q1 (Jan-March)	\$ 50,000	\$ 38,000
Q2 (Apr-June)	\$ 75,000	\$ 30,000
Q3 (Jul-Sept)	\$ 75,000	\$ 50,000
Q4 (Oct- Dec)	\$ 60,000	\$ 60,000

vs 2019

-24.0%	Non-qual quarter
-60.0%	Qualifying quarter
-33.3%	Qualifying quarter
0.0%	Qualifying quarter

Q1 doesn't qualify because in 2020 you need a 50% drop in a quarter to trigger the credit.

Q1 is the first quarter with at least a 50% drop and therefore qualifies

Q3 continues to qualify as there is at least a 20% drop (i.e. less than 80% of prior year's gross receipts)

Q4 qualifies because the quarter BEFORE had a 20% drop. Next quarter will not automatically qualify.

Example 2 - 2020

Gross Receipts:

	2019	2020
Q1 (Jan-March)	\$ 50,000	\$ 45,000
Q2 (Apr-June)	\$ 75,000	\$ 40,000
Q3 (Jul-Sept)	\$ 75,000	\$ 50,000
Q4 (Oct- Dec)	\$ 60,000	\$ 60,000

vs 2019

-10.0%	Non-qual quarter
-46.7%	Non-qual quarter
-33.3%	Non-qual quarter
0.0%	Non-qual quarter

No 50% drop in any quarter. Does not qualify based on gross receipts drop. Will only qualify during the period shut down or partially shut down.

2021 ERTC Eligibility – Q1 and Q2

Were gross receipts for the quarter less than 80% of gross receipts for the same calendar quarter in 2019?
OR
Were gross receipts for the immediately preceding quarter less than 80% of gross receipts for the corresponding calendar quarter in the calendar year 2019?

NO

YES

Was the business fully or partially suspended by a governmental authority during any calendar quarter of 2021?

Qualified wages paid in this quarter are considered eligible, up to \$10k per employee per quarter. You cannot count wages paid with PPP funds as qualified wages.

Were average 2019 full-time employees greater than 500?

NO

YES

You are NOT eligible for ERTC for 2021

Were average 2019 full-time employees greater than 500?

NO

YES

During the time you were shut down, qualified wages paid to employees who were not working are eligible for ERTC.

During the time you were shut down, qualified wages paid to all employees (whether working or not) are eligible for ERTC.

All wages paid to employees (working or not) are eligible to be counted as wages for the ERTC. (Except those paid with PPP funds)

Were employees furloughed with pay (i.e. not working but still receiving pay, including healthcare costs)?

YES

NO

NO

YES

No wages are eligible for ERTC in 2021

Only wages paid to employees while they were NOT working are eligible for ERTC

2021 ERTC Eligibility – Q3 and Q4

Rules are generally the same as Q1 and Q2 2021, with two updates:

#1

You qualify as a **Severely Financially Distressed Employer** if you have experienced a decline of at least 90% in gross receipts in Q3 or Q4 2021 compared to the same quarter of 2019.

If this is you, ALL wages paid in the qualifying quarter are considered qualifying wages for the purpose of calculating your credit (i.e. the \$10k per employee cap does not apply). ERTC is still calculated as 70% of qualifying wages.

#2

If you started your business AFTER February 15, 2020, you may still qualify for ERTC as a **Recovery Startup Business** if your annual gross receipts are under \$1M. No decline in gross receipts must be shown.

In this case, you are eligible for up to a \$50k credit per quarter for qualified wages paid, using the same calculation as other qualifying businesses (per employee cap on qualified wages of \$10k, 70% credit on qualifying wages).

Example 1 - 2021

Gross Receipts:

	2019		2021	
Q1 (Jan-March)	\$	50,000	\$	65,000
Q2 (Apr-June)	\$	75,000	\$	50,000
Q3 (Jul-Sept)	\$	75,000	\$	80,000
Q4 (Oct- Dec)	\$	60,000	\$	62,000

vs 2019

30.0%	Non-qual quarter
-33.3%	Qualifying quarter
6.7%	Qualifying quarter
3.3%	Non-qual quarter

Q1 doesn't qualify based on 2021 results, but COULD still qualify if Q4 2020 showed a 20% drop.

Q2 qualifies because there is a 20% drop (i.e. gross receipts are less than 80% of the receipts in the same quarter in 2019)

Q3 qualifies because the quarter BEFORE had a 20% drop (even though this quarter is actually UP). Next quarter will not automatically qualify.

Example 2 - 2021

Gross Receipts:

	2019		2021	
Q1 (Jan-March)	\$	50,000	\$	40,000
Q2 (Apr-June)	\$	75,000	\$	70,000
Q3 (Jul-Sept)	\$	75,000	\$	55,000
Q4 (Oct- Dec)	\$	60,000	\$	62,000

vs 2019

-20.0%	Qualifying quarter
-6.7%	Qualifying quarter
-26.7%	Qualifying quarter
3.3%	Qualifying quarter

All quarters are qualifying even though only 2 have a greater than 20% drop. This is because you can qualify based on that quarter's results OR the previous quarter.

PPP and ERTC

You can get BOTH PPP and ERTC, you just can't use them for the SAME wages.

You have some flexibility to “pick” which wages you want to pay with PPP during your covered period (8-24 weeks).

Determine the time periods for which you qualify for ERTC. If possible, use PPP during times you DON'T qualify for ERTC in order to maximize your credit.

To maximize ERTC, it may make sense to only use 60% of your PPP for payroll and the rest for other qualifying expenses.

FAQs

- When calculating gross receipts, you do NOT include other Stimulus funds received like PPP, EIDL grants, etc.
- You can't claim wages that were paid with PPP or FFCRA (Covid Sick and Family Leave)
- Sole proprietors cannot claim credits for their own pay, only employees. For Corporations, there is some gray area related to the inclusion of owner and spouse salaries. Check with your CPA for guidance.

More Resources from Balance CFO LLC



Subscribe to my Youtube Channel:

<https://Youtube.com/c/JamieTrull>



Other ERTC videos:

<https://youtube.com/playlist?list=PLB3HgjTThlboouAqkuW3fi7kEipRUF7Cu>



Other Stimulus videos:

PPP: <https://youtube.com/playlist?list=PLB3HgjTThlbqHqRD00lcb5v8FGb-dOngE>

EIDL: <https://youtube.com/playlist?list=PLB3HgjTThlbrPaeRY-MPHzuYV70eO1i55>



See more resources (ERTC, PPP, EIDL, etc) at

<https://JamieTrull.com/StimulusResources>