

NFIB UPDATE

COVID-19 Webinar Series for Small Business

with Beth Milito and Holly Wade, NFIB



June 9, 2021

Special Guest – Justin Elanjian, CPA, Aprio

Topic – Claiming the Employee Retention Credit (ERC)



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SAVE THE DATE!

2021 NFIB Virtual Fly-In

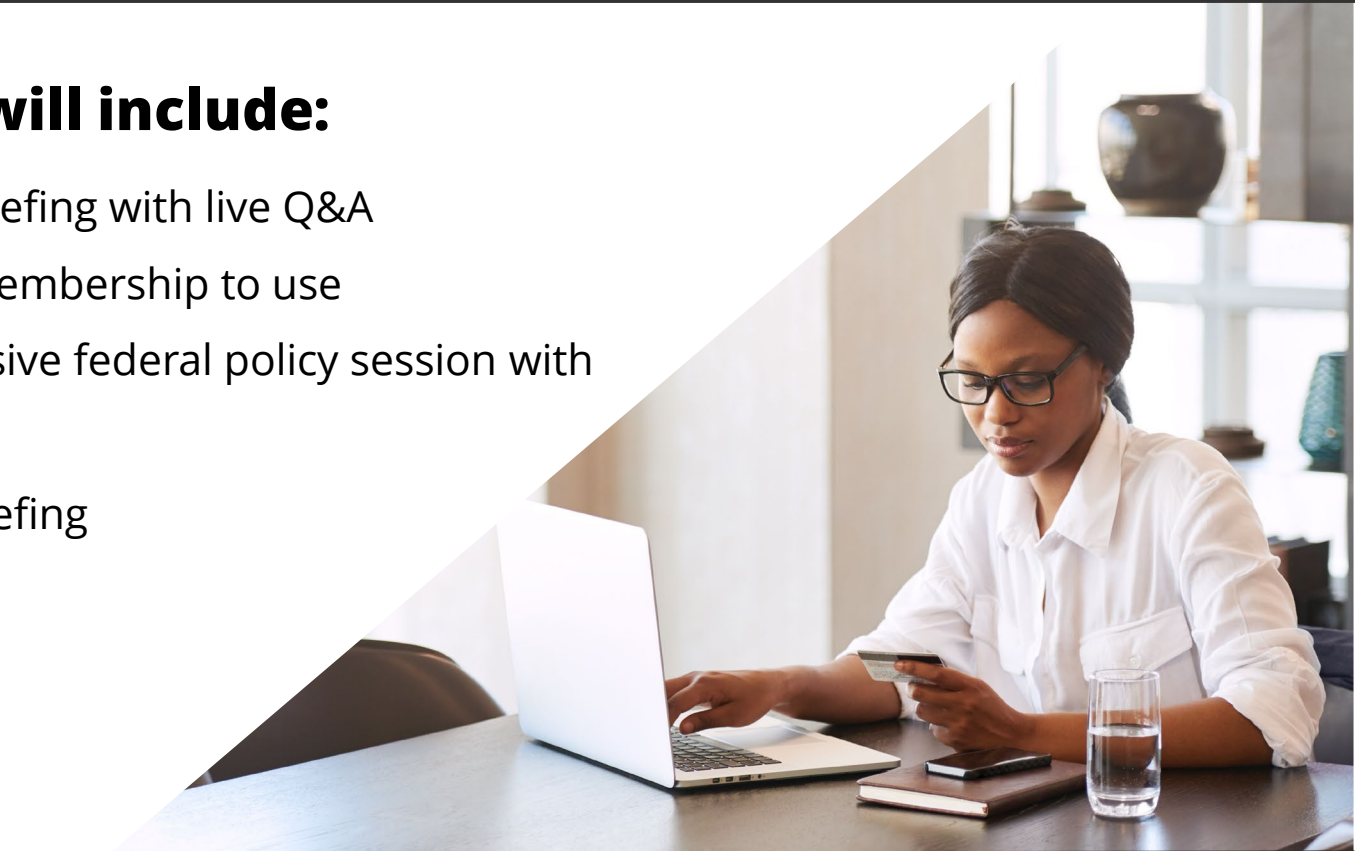
JUNE 22-23

Session topics will include:

- Legislative issues briefing with live Q&A
- Putting your NFIB membership to use
- NFIB member-exclusive federal policy session with special guest(s)
- Insider's political briefing
- ... and more!



Have a question now? Contact us at flyin@NFIB.org



DISCLAIMER

- The materials and information provided in this webinar and on NFIB's website are for informational purposes only and not for the purpose of providing legal or tax advice. You should contact your attorney and/or tax professional to obtain advice with respect to any particular issue or problem.
- This is based on information available by 06/08/21.

Agenda

-
- Covid-19 Small Business Resources
 - Employee Retention Tax Credit
 - Q&A
 - Send questions to info@nfib.org

Upcoming Webinar



Wednesday, June 30th @ 12pm EST

PPP Forgiveness and Live Q&A

COVID-19 Resources

-
- [Paycheck Protection Program](#)
 - [Economic Injury Disaster Loan](#)
 - [Employee Retention Tax Credit](#)
 - [Shuttered Venue Grant](#)
 - [NFIB Coronavirus Resources](#) (including past webinars)

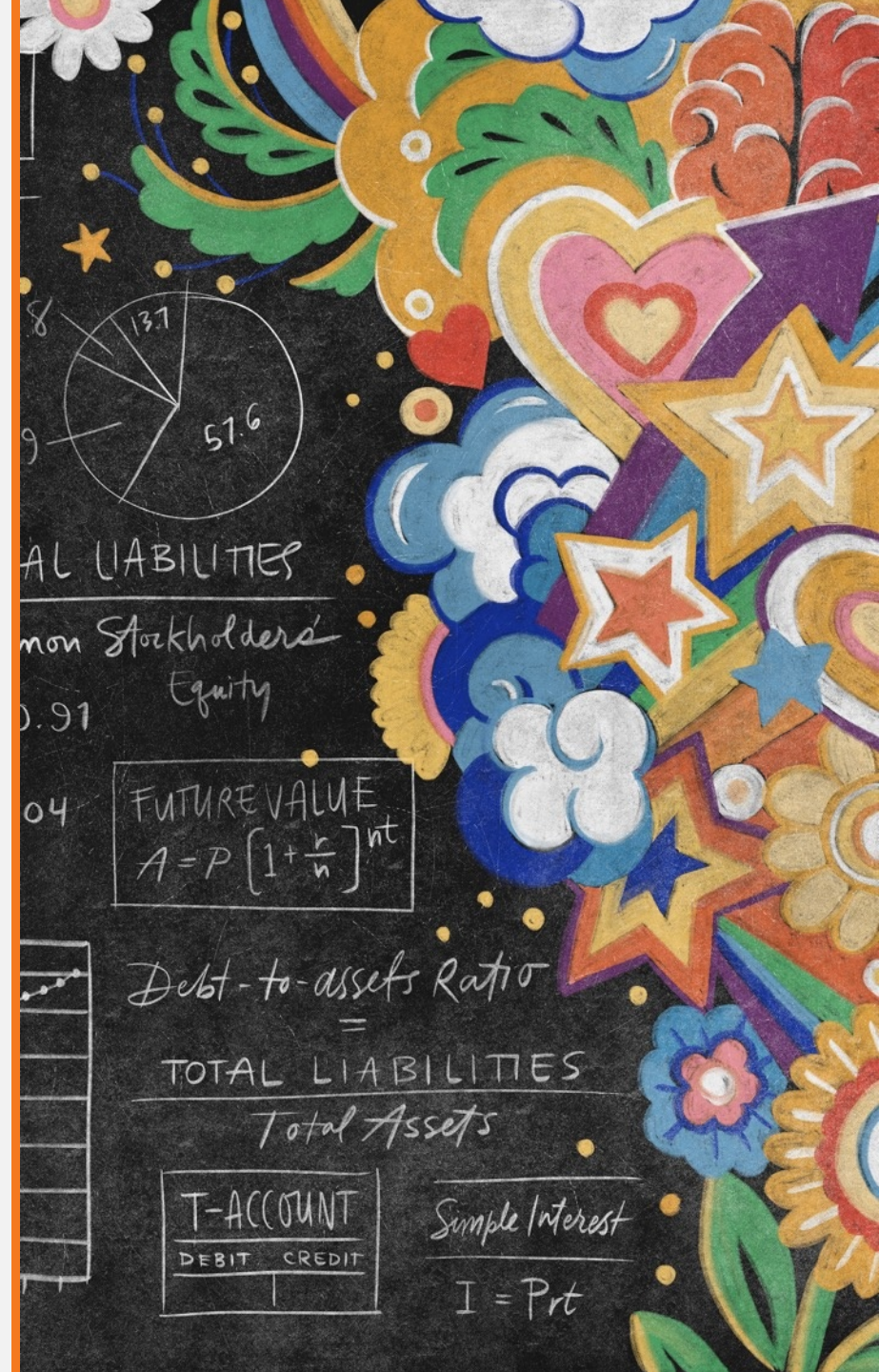
Economic Injury Disaster Loan

- 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.
- 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.
- Check EIDL application status: Customer Service Center at **1-800-659-2955** (1-800-877-8339 for the deaf and hard of hearing) or email DisasterCustomerService@sba.gov
- Application declined?
 - Decline letter sent via email.
 - Applicant can request reconsideration in writing within six (6) months of the date of decline letter.

Send to: E-mail: pdcrecons@sba.gov



Claiming the Employee Retention Credit



Agenda

1. Employee Retention Credit Overview
2. Eligibility
3. Qualified Wages
4. Convergence with PPP
5. Claiming the Credit

Aprio provides the following content as general guidance offered on an informational basis to assist you and your company in evaluating the SBA programs. Due to the evolving nature of the SBA programs, and the lack of final published regulations, additional changes may affect the validity or timeliness of the content. Every client situation is unique, so Aprio recommends that you consult legal counsel to determine the best outcome for your company based on your company's specific circumstances. Aprio does not represent any financial institution or serve as an agent for any financial institution, and Aprio is not responsible for the actions of any other third party.



Webinar Panelists



Tommy Lee

Partner-in-Charge, Retail,
Franchise & Hospitality



Justin Elanjian

Partner-in-Charge,
PPP & ERC Services

Aprio at a glance



700+

Team Members



84

Partners



7

Industry
Specialties



22

Services



30+

Languages
Spoken



Clients in

50+

Countries

Breadth of services



Advisory



Audit



CARES Act
Assistance



Tax



Private Client



Outsourcing



Staffing

Specialty Services

- Applied Behavioral Economics
- Blockchain Consulting
- Business Brokerage
- Business Technology Consulting
- Business Valuation
- CEO Tools
- Data and Analytics
- Digital Transformation & Cybersecurity Advisory
- Enterprise Risk Management
- Financial Consulting
- Information Assurance
- International Tax
- IT & Financial Staffing
- Litigation Support & Forensic Accounting
- Paycheck Protection Program & Employee Retention Credit
- People Advisory
- Outsourced Accounting
- Retirement Plan
- State and Local Tax
- Tax Credits & Incentives
- Transaction Advisory
- Treasury Optimization



Employee Retention Credit

Employee Retention Credit: The Basics

“The Internal Revenue Service **urges employers to take advantage of the newly-extended employee retention credit**, designed to make it easier for businesses that, despite challenges posed by COVID-19, choose to keep their employees on the payroll.”

- Refundable Federal Payroll tax credit **up to \$33,000 per employee!**
- The number of employees a company has does not affect whether a company may claim the credit

Timeline of ERC

	CARES Act (3/27/20)	CAA (12/27/20)	ARPA (3/11/21)
Availability	<ul style="list-style-type: none"> Wages paid after March 12, 2020 and before January 1, 2021 PPP recipients cannot claim ERC 	<ul style="list-style-type: none"> Wages paid after December 31, 2020 and before July 1, 2021 PPP recipients can claim ERC 	<ul style="list-style-type: none"> Wages paid after June 30, 2021 and before January 1, 2022
Eligibility	<ul style="list-style-type: none"> At least a 50% decline gross receipts for a calendar quarter in 2020 compared to the same in 2019 Full or partial suspension in operations 	<ul style="list-style-type: none"> At least a 20% decline gross receipts for a calendar quarter in 2021 compared to the same in 2019 	<ul style="list-style-type: none"> No change
Credit Value	<ul style="list-style-type: none"> 50% of up to \$10,000 of qualified wages per employee 	<ul style="list-style-type: none"> 70% of up to \$10,000 of qualified wages per employee per quarter for Q1 and Q2 2021 	<ul style="list-style-type: none"> 70% of up to \$10,000 of qualified wages per employee per quarter for Q3 and Q4 2021



Eligibility

Who is an Eligible Employer?

- Any private-sector businesses or tax-exempt organizations that carries on a trade or business that meets either of the following:
 - A business that experienced a ***significant decline in gross receipts*** during any quarter.

OR

- A business that was ***fully or partially suspended*** due to orders from the Federal, or state government limiting commerce, travel, or group meetings due to COVID-19;

Significant Decline in Revenue, Defined

- A *significant decline in gross receipts* during any quarter:

2020

- Gross receipts declined by at least **50%** of what they were for the same calendar quarter in 2019

2021

- Gross receipts declined by at least **20%** of what they were for the same calendar quarter in 2019

Example of Significant Decline in Gross Receipts for 2020

	1 st Quarter (Jan –March)	2 nd Quarter (April –June)	3 rd Quarter (July –Sept)	4 th Quarter (Oct - Dec)
2019 ("Gross Receipts")	\$950,000	\$1,250,000	\$1,500,000	\$1,750,000
2020 ("Gross Receipts")	\$997,500	425,000	1,155,000	\$1,837,500
Percentage Change	5.00%	-66%	-23%	5.00%

*Eligibility continues until first day of the quarter after the quarter that gross receipts rebound to > 80% of gross receipts of same quarter in 2019

Full or Partial Suspension in Operations

A business that was *fully or partially suspended* due to orders from the Federal, or state government limiting commerce, travel, or group meetings due to COVID-19;

Occurs if an appropriate governmental authority imposes restrictions on the business's operations so that:

- the business must cease all operations; **or**
 - the business can still continue to operate with some, but not all of its normal operations.
- More than a “Nominal Portion” of its business operations are suspended by a governmental order

An Order from an Appropriate Government Authority

Orders, proclamations, or decrees from the Federal government, or a State or local government ***limiting commerce, travel, or group meetings due to COVID-19***

Government Orders Include:

- An order from the city's mayor stating that all non-essential businesses must close for a specified period;
- An emergency proclamation that residents of must shelter in place except employees of essential businesses;
- An order imposing a curfew on residents that impacts the operating hours of a trade or business;
- An order mandating a workplace closure for cleaning and disinfecting.

Calculating the Credit

Qualified wages

Qualified Wages, which may include the employee's and the employer's qualified health plan expenses that are properly allocable to the wages.

2020

- Businesses with 100+ full time employees in 2019 – The credit is only available to employees who are not providing services
- For qualified wages paid between March 13, 2020 and December 31, 2020 (subject to eligibility for ERC)

2021

- Businesses with 500+ full time employees in 2019 – The credit is only available to employees who are not providing services
- For qualified wages paid between January 1, 2021 and December 31, 2021 (subject to eligibility for ERC)

Calculating the Credit for 2020

- **Step 1:** Calculate your 2019 full-time employees (30 hrs/week or 130 hrs/month)
- **Step 2:** If step 1 ≤ 100 = ALL EMPLOYEES WAGES ARE ELIGIBLE!
- **Step 3:** If step 1 > 100 = wages for employees “not providing services” are eligible
- **Step 4:** Calculate your credit based on the qualified wages from step 2 or 3 up to \$5,000 per employee (50% of up to \$10,000 per employee)

Calculating the Credit for 2021

- **Step 1:** Calculate your 2019 full-time employees (30 hrs/week or 130 hrs/month)
- **Step 2:** If $\text{step 1} \leq 500$ = ALL EMPLOYEES WAGES ARE ELIGIBLE!
- **Step 3:** If $\text{step 1} > 500$ = wages for employees “not providing services” are eligible
- **Step 4:** Calculate your credit based on the qualified wages from step 2 or 3 up to \$7,000 per employee per quarter (70% of up to \$10,000 per employee per quarter)

Wages: Highest and Best Use

- A company may not “double benefit” by utilization the same wages for claiming the ERC and:
 - Families First Coronavirus Response Act (“FFCRA”)
 - American Rescue Plan Act of 2021 Leave Credits
 - Work Opportunity Tax Credit (“WOTC”)
 - Research & Development Credit (“R&D”)
 - **Forgiveness on a PPP Loan**



Convergence with PPP

PPP and ERC: Latest Guidance

- Loan forgiveness applications released January 19
 - Do not include qualified wages taken into account in determining the ERC
- IRS Notice 2021-20 addresses PPP loans already forgiven
 - Payroll not used to obtain PPP loan forgiveness can be used for claiming ERC
 - Costs not reported on the PPP loan forgiveness application cannot be considered

The Convergence Overview

- Strategies to maximize the two programs:
 - Be intentional with wage utilization
 - Leverage nonpayroll costs
 - Covered Period duration
- Considerations:
 - Forgiveness already received
 - Stability (or lack thereof) of the workforce
 - Wage levels of the workforce

***There is no one size fits all!**





Claiming the Credit

Claiming the Credit

- Retroactively:
 - File a Form 941-X, Adjusted Employer's Quarterly Federal Tax Return
- Currently:
 - File a Form 941, Employer's Quarterly Federal Tax Return
- In Advance:
 - File a Form 7200, Advance Payment of Employer Credits Due to COVID-19

*Consider retaining payroll tax payments

ERC Assistance

<https://www.aprio.com/erc-follow-up/>

