

NFIB UPDATE

COVID-19 Webinar Series for Small Business

with Beth Milito and Holly Wade, NFIB



July 28, 2021

Special Guest – Matt Evans, CPA, SMA, CFM

Topic – Employee Retention Credit (ERC) Small Business Workshop



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 07/27/21.

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Small Biz Coffee Corner **FACEBOOK LIVE**

Stop by to ask your small business
COVID-19 relief program questions on
PPP, EIDL, ERTC, and more!

Thursday, July 29 | **2pm EDT**

WITH FEATURED EXPERT



Holly Wade
Executive Director,
NFIB Research Center

AND GUEST SPEAKER



**Courtney Titus
Brooks**
Senior Manager,
NFIB Federal Government
Relations

▶▶ [Facebook.com/NFIB](https://www.facebook.com/NFIB)

Upcoming Webinars

—

Wednesday, August 11th @ 12pm EST

TBD

Agenda



- EIDL and PPP updates
- Employee Retention Credit
- Q&A
- Send questions to info@nfib.org

COVID-19 Resources

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

Economic Injury Disaster Loan – The Basics

PURPOSE

To meet financial obligations and operating expenses that could have been met had the disaster not occurred.

LOAN AMOUNT

For loans approved starting the week of April 6, 2021: 24-months of economic injury with a maximum loan amount of \$500,000. For loans approved prior to the week of April 6, 2021, see loan increases.

TERMS

3.75% for businesses (fixed), 2.75% for nonprofits (fixed)

MATURITY

30 years

APPLY

[HERE](#) (directly through the SBA)

USE OF PROCEEDS

Working capital and normal operating expenses (health insurance, rent, utilities, fixed debt payments).

* can't use funds for business expansion purposes



Economic Injury Disaster Loan – The Basics, pt. 2

COLLATERAL REQUIREMENTS

Required for loans over \$25,000

SBA uses a general security agreement (UCC) designating business assets as collateral, such as machinery and equipment, furniture and fixtures, etc.

FORGIVABLE

NO – EIDL Loan, YES – EIDL Advance

Application Questions?

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

PAYMENTS

Set up online payments through Pay.gov OR mail payments to:

U.S. Small Business Administration

721 19th Street

Denver, CO 80202

Be sure to include EIDL loan number on mailed-in checks.



Economic Injury Disaster Loan – The Basics, pt. 3

LOAN DEFERMENT

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.

RECONSIDERATION REQUEST for Declined Application

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



Economic Injury Disaster Loan – Targeted EIDL Advance and Supplemental Targeted Advance

Targeted EIDL Advance

The Targeted EIDL Advance provides funds of up to \$10,000 to applicants who:

- Are in a low-income community. To help applicants determine if they are in a low-income community as defined in section 45D(e) of the Internal Revenue Code, a mapping tool (sbaeidl.policymap.com/app) is available. The business address must be in a low-income community to qualify so SBA encourages potential applicants to check the map to see if they meet the low-income community eligibility requirement before they apply; and
- Can demonstrate more than 30% reduction in revenue during an eight-week period beginning on March 2, 2020, or later. If an applicant meets the low-income community criteria, they will be asked to provide gross monthly revenue (all forms of combined monthly earnings received, such as profits or salaries) to confirm the 30% reduction; and
- Have 300 or fewer employees.

Supplemental Targeted Advance

The Supplemental Targeted Advance provides a supplemental payment of \$5,000 that does not have to be repaid. Even if you have previously received the original EIDL Advance in the full amount of \$10,000, you may be eligible for the Supplemental Targeted Advance if you meet eligibility criteria. The combined amount of the Supplemental Targeted Advance (\$5,000) with any previously received EIDL Advance or Targeted EIDL Advance (\$10,000) will not exceed \$15,000.

- Can prove more than a 50% economic loss during an eight-week period beginning on March 2, 2020, or later, compared to the same period of the previous year. Applicants need to provide gross monthly revenue (all forms of combined monthly earnings received, such as profits or salaries) from January 2019 to the current month-to-date; and
- Has 10 or fewer employees.

Economic Injury Disaster Loan

Need additional EIDL loan \$\$

If you were approved for a loan and would like to request additional funds, log into your SBA loan portal account at <https://covid19relief1.sba.gov/>. Once logged on, take these specific steps to request the increase:

1. Click on the button that reads “Request More Funds.” NOTE: That button will only be visible if your current loan amount is not already at the maximum loan limit (currently \$500,000).
2. Borrowers will then be asked to disclose if any changes have occurred since the original EIDL application was submitted, such as any owners of 20 percent or more of the applicant business being currently involved in a bankruptcy.
3. Borrowers will be asked to identify the form used for their most recent tax return [e.g., Form 1040 (Schedule C, E or F), 1065 (Partnership), 1120S (S Corporation), or 1120 (C Corporation)].
4. Borrowers will use the slider bar to select a new (increased) loan amount.
5. Borrowers may be required to electronically sign an IRS Form 4506-T, which allows the SBA to obtain tax transcripts directly from the IRS.
6. When these steps are completed, borrowers will submit the loan increase for processing



Economic Injury Disaster Loan

Follow these instructions if you wish to request a loan increase:

- Send email to CovidEIDLIncreaseRequests@sba.gov
- Use subject line "EIDL Increase Request for [insert your 10-digit application number]"
- Be sure to include in the body of your email identifying information for your current loan including application number, loan number, business name, business address, business owner name(s), and phone number.
- **Important: Do not include any financial documents or tax records with your initial request. You will receive a follow up email notification if we need additional documents.**

We will process increase requests in the order they are received. Due to the expected high volume of incoming requests, it may be several weeks before you receive a response from SBA on next steps to follow. Please do not resend multiple requests if you do not hear back right away as the extra emails could slow down the overall response time.

If you have any questions regarding the COVID-19 EIDL program, or SBA's other COVID relief program, please visit our website at [SBA.gov/relief](https://www.sba.gov/relief) for the most current updates.

We look forward to assisting with your recovery from this pandemic.

Taking Advantage of the Employee Retention Tax Credit (ERTC)

Presented by: Matt Evans

Date: July 28, 2021



FOR THE LIFE OF YOUR BUSINESS

Important Disclaimer

Consult with a Practicing Professional / Review IRS Updates

This webinar provides guidance and information on the Employee Retention Tax Credit. The instructor is a retired CPA and SCORE Mentor who does **not** practice taxation. Therefore, it is important to recognize that SCORE and the information we provide in this webinar is not a substitute for professional advice from practicing CPA's, Tax Advisors, Tax Attorneys and others. You are encouraged to consult with a professional outside of SCORE to ensure you obtain complete and accurate information. Additionally, what is discussed in this webinar is subject to interpretation and the final authority is the IRS. Please make sure you review information posted by the IRS which includes two notices that extend the Frequently Asked Questions:

https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act?utm_medium=email&utm_source=govdelivery

What is the Employee Retention Tax Credit?

- A direct reduction dollar for dollar against the federal employment taxes that Employers pay and report on a quarterly basis per Form 941 – Employer Federal Tax Return. It is NOT taxable income – simply use the credit to reduce the taxes you owe.
- Apply the ERTC (Employee Retention Tax Credit) each quarter starting with 2nd Q 2020 and ending with 2nd Q 2021. You can also go back for part of March 2020 (13th to 31st)
- The credit amount is calculated for each employee up to \$ 10,000 of wages paid during calendar year 2020 x 50% (max credit of \$ 5,000). In 2021, the credit amount is up to \$ 10,000 of wages paid during each quarter x 70% (max credit of \$ 14,000).
- Employers qualify one of two ways on a quarter by quarter basis:
 1. Your business was partially or fully shut down because of a governmental action OR
 2. Your business experienced a drop in gross receipts in excess of 50% compared to the same quarterly period in 2019. Continue to apply the credit until your gross receipts have recovered to more than 80% compared to the same period in 2019. **For 2021, the percentage drop is 20% compared to 2019**

Example of Gross Receipts Test

Gross Receipts are defined as “total sales (net of returns and allowances) and all amounts received for services. Gross receipts also include income from investments and from incidental or outside sources (e.g., interest, dividends, rents, royalties and annuities) that the business collected.

KEY POINT > Every Employer with 500 or fewer employees should be tracking and measuring quarterly revenues and taking advantage of the ERTC in 2021 if they meet this test:

	Quarter 1 Revenues	Quarter 2 Revenues
Gross Receipts in 2019 by Quarter	\$ 136,000	\$ 126,000
Gross Receipts in 2021 by Quarter	\$ 92,000	\$ 110,000
Are gross receipts down by at least 20%?	\$ 44,000 / \$ 136,000 = 32% YES	\$ 16,000 / \$ 126,000 = 13% NO

Counting Full Time Employees for the ERTC

2020

Employers with 100 or fewer FTE's in 2019 can take the ERTC for all employees regardless if they are working or not.

Employers with over 100 FTE's in 2019 can only take the ERTC for those employees not working, but still collecting a paycheck.

2021

Employers with 500 or fewer FTE's in 2019 can take the ERTC for all employees regardless if they are working or not.

Employers with over 500 FTE's in 2019 can only take the ERTC for those employees not working, but still collecting a paycheck.

NOTE: Full Time Employees are considered those employees who work 30 hours or more in a week or 130 hours or more in a month. Full Time “Employees” is not necessarily the same as Full Time “Equivalents” where part-time employees are counted as .5 in the total. See IRS link below:

<https://www.irs.gov/affordable-care-act/employers/identifying-full-time-employees>

Step 1 – Determine What Quarters You Qualify

Apply the qualification tests to each and every quarter for the ERTC:

Qualification Test	Q1-2021	Q2-2021	Q3-2021	Q4-2021
Was the business shut down partially or fully by an order issued by the government?	No	No	Pending	Pending
Did the business experience a drop of over 20% in gross revenues during the quarter compared to 2019?	Yes	No	Pending	Pending

2019 is the Base Year for all comparative tests

Once you pass the Qualification Test, get with your payroll provider and apply the ERTC to reduce your payroll taxes

Step 2 – Collect Quarterly Wages Paid

You will need a breakdown by employee of gross wages paid for each quarter where you qualify for the ERTC. Also collect Form 941 – Employer Federal Payroll Tax Return for each quarter. You need to identify the employer’s portion of social security taxes.

Starting with 2nd Q 2020 – Clean Cut Off

Form **941 for 2020: Employer’s QUARTERLY Federal Tax Return** (Rev. July 2020) Department of the Treasury – Internal Revenue Service

950120
OMB No. 1545-0029

Employer identification number (EIN) -

Name (not your trade name)

Trade name (if any)

Address

Number Street Suite or room number

City State ZIP code

Foreign country name Foreign province/county Foreign postal code

Report for this Quarter of 2020
(Check one.)

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Go to www.irs.gov/Form941 for instructions and the latest information.

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including: Sept. 12 (Quarter 3) or Dec. 12 (Quarter 4) 1

2 Wages, tips, and other compensation 2

3 Federal income tax withheld from wages, tips, and other compensation 3

Basis for Calculating the ERTC

Empl No.	Wages Paid
1	\$ 14,500
3	\$ 11,025
5	\$ 7,216
6	\$ 5,152
	\$ 37,893



Step 3 – Work Around Your PPP Loans

You will need to avoid taking the ERTC for those wages paid using PPP Money
Reconcile your pay periods and total payroll between the two:

PPP Draw 1 - July 6, 2020 to September 20, 2020			
Pay Period	Total Gross Wages	PPP Loan	ERTC
7/5 to 7/18	\$ 20,220	\$ 15,650	\$ 4,570
7/19 - 8/1	\$ 22,150	\$ 22,150	\$ -
8/2 - 8/15	\$ 24,700	\$ 24,700	\$ -
8/16 - 8/29	\$ 22,300	\$ 19,650	\$ 2,650
8/30 - 9/12	\$ 21,180	\$ 11,220	\$ 9,960
9/13 - 9/26	\$ 19,750	\$ -	\$ 19,750

PPP Draw 2 - April 5, 2021 to July 11, 2021			
Pay Period	Total Gross Wages	PPP Loan	ERTC
3/28 - 4/10	\$ 17,030	\$ 6,150	\$ 10,880
4/11 - 4/24	\$ 19,580	\$ 14,690	\$ 4,890
4/25 - 5/8	\$ 18,770	\$ 18,770	\$ -
5/9 - 5/22	\$ 19,050	\$ 19,050	\$ -
5/23 - 6/5	\$ 20,665	\$ 4,660	\$ 16,005
6/6 - 6/19	\$ 19,620	\$ -	\$ 19,620
6/20 - 7/3	\$ 20,742	\$ -	\$ 20,742
7/4 - 7/17	\$ 18,995	\$ -	\$ 18,995

OTHER POTENTIAL WORK AROUND: Using Other Payroll Tax Credits (such as Sick Leave Credit)

Step 4 – Remove Unqualified Employees

You can include both full time and part time employees for the ERTC since many people were hit with reduced working hours. However, you cannot include the following individuals:

- An individual who owns more than 50 percent in a C Corp or S Corp
- An individual who owns more than 50 percent or more of the capital and profits interest of and LLC or Partnership
- A grantor, beneficiary, or fiduciary of the employer (if the employer is an estate or trust)
- A family relative of the employer (if the employer is an individual). Family relatives include children, siblings, step-siblings, parents, step-parents, nieces, nephews, aunts, uncles, and in-laws. It also includes the owner's spouse and any household employees (maid, butler).

Recent CPA YouTube Video (June 28, 2021) in reference to this slide >

<https://youtu.be/C0ZbLnsESMk>

Step 5 – Add Allocated Group Health Care Costs

Not a Mandatory Step in the Process

For the most part, the ERTC will get applied to Gross Wages Paid as reported on your quarterly Form 941. However, “Qualified Wages” includes “allocable qualified health plan expenses.”

This can be important if the Employer continues to cover furloughed employees who **do not** collect pay checks, but you as an Employer are incurring health care costs for these employees

Allocate your total health insurance premiums based on Cost per Employee per Day:

Step 1: Calculate Health Expense Rate for Quarter

Total Number of Employees on Payroll			4
Health Insurance Premium - April 2020	22	\$	2,250
Health Insurance Premium - May 2020	21	\$	2,250
Health Insurance Premium - June 2020	22	\$	2,250
Total Q2 Health Insurance Expense		\$	6,750
Expense per Employee		\$	1,688
Work Days in 2nd Q 2020			65
Expense per Employee per Day		\$	26

Step 2: Apply the Rate to the Days Worked

Empl No.	Hourly Pay Rate	Work Hours in Day	Hours in Quarter	Convert Hrs to Days	Allocated Health Exp
		8			
1	Salary	Owner			
3	\$ 22.50	:	490	61	\$ 1,590
5	\$ 16.40		440	55	\$ 1,428
6	\$ 11.20		460	58	\$ 1,493

<https://www.irs.gov/newsroom/determining-the-amount-of-allocable-qualified-health-plan-expenses>

Step 6 – Calculate the ERTC for 2020 by Quarter

2nd Q of 2020 = 4/1/2020 to 6/30/2020

Empl No.	Wages Paid	Allocated Health Expenses	Total Qualified Wages	Impose Ceiling @ \$10,000	< Breakdown of Qual Wages >		Calculate Tax Credit 50%	
					Gross Pay	Health Exp		
1	\$ 14,500	Owner is excluded 100% control S Corp						
3	\$ 11,025	\$ 1,590	\$ 12,615	\$ 10,000	\$ 10,000	\$ -	\$ 5,000	
5	\$ 7,216	\$ 1,428	\$ 8,644	\$ 8,644	\$ 7,216	\$ 1,428	\$ 4,322	
6	\$ 5,152	\$ 1,493	\$ 6,645	\$ 6,645	\$ 5,152	\$ 1,493	\$ 3,322	
	\$ 37,893	\$ 4,511	\$ 27,904	\$ 25,289	\$ 22,368	\$ 2,921	\$ 12,644	
<i>Totals in bold should tie to IRS Worksheet 1 and / or Forms</i>							Emplr SS Tax	\$ 2,350
							ERTC Balance	\$ 10,294

3rd Q of 2020 = 7/1/2020 to 9/30/2020

Empl No.	Wages Paid	Allocated Health Expenses	Total Qualified Wages	Impose Ceiling @ \$10,000	< Breakdown of Qual Wages >		Calculate Tax Credit 50%	
					Gross Pay	Health Exp		
1	\$ 14,500	Owner is excluded 100% control S Corp						
3	\$ 10,090	This employee has maxed out in Q 2 - do not include						
5	\$ 6,780	\$ 1,430	\$ 8,210	\$ 1,356	\$ 1,356	\$ -	\$ 678	
6	\$ 3,960	\$ 1,480	\$ 5,440	\$ 3,355	\$ 3,355	\$ -	\$ 1,678	
	\$ 35,330	\$ 2,910	\$ 13,650	\$ 4,711	\$ 4,711	\$ -	\$ 2,356	
<i>Totals in bold should tie to IRS Worksheet 1 and / or Forms</i>							Emplr SS Tax	\$ 2,209
							ERTC Balance	\$ 147

For businesses that never took the ERTC, go back and pickup each quarter total and get a refund check!
Maximum Credit
\$ 12,644 + \$ 2,356 =
\$ 15,000 (\$ 5,000 per employee)

Calculate ERTC in 2021 by Quarter @ 70%

1st Q of 2021 = 1/1/2021 to 3/31/2021

Empl No.	Wages Paid	Allocated Health Expenses	Total Qualified Wages	Impose Ceiling @ \$10,000	< Breakdown of Qual Wages >		Calculate Tax Credit 70%
					Gross Pay	Health Exp	
1	\$ 14,500	Owner is excluded 100% control S Corp					
3	\$ 10,330	\$ 1,533	\$ 11,863	\$ 10,000	\$ 10,000	\$ -	\$ 7,000
5	\$ 6,990	\$ 1,416	\$ 8,406	\$ 8,406	\$ 6,990	\$ 1,416	\$ 5,884
6	\$ 4,590	\$ 1,466	\$ 6,056	\$ 6,056	\$ 4,590	\$ 1,466	\$ 4,239
	\$ 36,410	\$ 4,415	\$ 26,325	\$ 24,462	\$ 21,580	\$ 2,882	\$ 17,123
<i>Totals in bold should tie to IRS Worksheet 1 and / or Forms</i>						Emplr SS Tax	\$ 5,017
						ERTC Balance	\$ 12,106

2nd Q of 2021 = 4/1/2021 to 6/30/2021

Empl No.	Wages Paid	Allocated Health Expenses	Total Qualified Wages	Impose Ceiling @ \$10,000	< Breakdown of Qual Wages >		Calculate Tax Credit 70%
					Gross Pay	Health Exp	
1	\$ 14,500	Owner is excluded 100% control S Corp					
3	\$ 11,220	\$ 1,537	\$ 12,757	\$ 10,000	\$ 10,000	\$ -	\$ 7,000
5	\$ 7,320	\$ 1,428	\$ 8,748	\$ 8,748	\$ 7,320	\$ 1,428	\$ 6,124
6	\$ 5,210	\$ 1,479	\$ 6,689	\$ 6,689	\$ 5,210	\$ 1,479	\$ 4,682
	\$ 38,250	\$ 4,444	\$ 28,194	\$ 25,437	\$ 22,530	\$ 2,907	\$ 17,806
<i>Totals in bold should tie to IRS Worksheet 1 and / or Forms</i>						Emplr SS Tax	\$ 5,630
						ERTC Balance	\$ 12,176

In 2021, the ERTC gets magnified two ways:

1. Apply on a stand-alone basis quarter to quarter in regards to the \$ 10,000 ceiling
2. Increase the percentage from 50% to 70% in calculating the credit

Worksheet 1 – Form 941 Instructions (Page 20)

Worksheet 1. Credit for Qualified Sick and Family Leave Wages and the Employee Retention Credit

Keep for Your Records



Determine how you will complete this worksheet

If you paid both qualified sick and family leave wages and qualified wages for purposes of the employee retention credit this quarter, complete Step 1, Step 2, and Step 3. If you paid qualified sick and family leave wages this quarter but you didn't pay any qualified wages for purposes of the employee retention credit this quarter, complete Step 1 and Step 2. If you paid qualified wages for purposes of the employee retention credit this quarter but you didn't pay any qualified sick and family leave wages this quarter, complete Step 1 and Step 3.

Step 1. Determine the employer share of social security tax this quarter after it is reduced by any credit claimed on Form 8974 and any credit to be claimed on Form 5884-C

1a	Enter the amount of social security tax from Form 941, Part 1, line 5a , column 2	1a	<u>4699</u>
1b	Enter the amount of social security tax from Form 941, Part 1, line 5b , column 2	1b	<u>-0-</u>
1c	Add lines 1a and 1b	1c	<u>4699</u>
1d	Multiply line 1c by 50% (0.50)	1d	<u>2350</u>
1e	If you're a third-party payer of sick pay that isn't an agent and you're claiming credits		

Step 3. Figure the employee retention credit

3a	Qualified wages (excluding qualified health plan expenses) for the employee retention credit (Form 941, Part 3, line 21)	3a	<u>22,368</u>
3b	Qualified health plan expenses allocable to qualified wages for the employee retention credit (Form 941, Part 3, line 22)	3b	<u>2921</u>
3c	Add lines 3a and 3b	3c	<u>25,289</u>
3d	Retention credit. Multiply line 3c by 50% (0.50)	3d	<u>12,644</u>
3e	Enter the amount of the employer share of social security tax from Step 1, line 1d	3e	<u>2350</u>
3f	Enter the amount of the nonrefundable portion of the credit for qualified sick and family leave wages from Step 2, line 2j	3f	<u>-0-</u>
3g	Subtract line 3f from line 3e	3g	<u>2350</u>
3h	Nonrefundable portion of employee retention credit. Enter the smaller of line 3d or line 3g. Enter this amount on Form 941, Part 1, line 11c	3h	<u>2350</u>
3i	Refundable portion of employee retention credit. Subtract line 3h from line 3d and enter this amount on Form 941, Part 1, line 13d	3i	<u>10,294</u>

You can use this worksheet to help calculate the ERTC

2nd Q of 2020
4/1/2020 to
6/30/2020

See Slide 12

Reconcile and Report Payroll on Form 941

2nd Q of 2020 4/1/2020 to 6/30/2020 per Slide 12

1	Number of employees who received wages, tips, or other compensation for the pay period including: Sept. 12 (Quarter 3) or Dec. 12 (Quarter 4)	1	4
2	Wages, tips, and other compensation	2	37,893.-
3	Federal income tax withheld from wages, tips, and other compensation	3	8,067.-
4	If no wages, tips, and other compensation are subject to social security or Medicare tax	<input type="checkbox"/> Check and go to line 6.	
		Column 1	Column 2
5a	Taxable social security wages	37,893.-	$\times 0.124 = 4,699.-$
5a (i)	Qualified sick leave wages	-0.-	$\times 0.062 = .-$
5a (ii)	Qualified family leave wages	-0.-	$\times 0.062 = .-$
5b	Taxable social security tips	-0.-	$\times 0.124 = .-$
5c	Taxable Medicare wages & tips	37,893.-	$\times 0.029 = 1,099.-$
5d	Taxable wages & tips subject to Additional Medicare Tax withholding	-0.-	$\times 0.009 = .-$
5e	Total social security and Medicare taxes. Add Column 2 from lines 5a, 5a(i), 5a(ii), 5b, 5c, and 5d	5e	5,798.-
5f	Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions)	5f	.-
6	Total taxes before adjustments. Add lines 3, 5e, and 5f	6	13,865.-

\$ 4,699
x 50%
\$ 2,350

Employer Share of Social Security Tax = Non Refundable Portion of the ERTC

Most CPA's pickup their Gross Wages from Line 5c – Medicare Wages

Form 941 X – Amend Previous Form 941

Under the CARES Act, Employers filed Form 941 X to get a refund – **Lines 18, 26, 30 and 31** are directly related to the Employee Retention Tax Credit:

LINE 17	17. Nonrefundable portion of credit for qualified sick and family leave wages (Form 941 or 941-SS, line 11b)		-		=		See instructions	
LINE 18	18. Nonrefundable portion of employee retention credit (Form 941 or 941-SS, line 11c)	2,350	-	-0-	=	2,350	See instructions	2,350
	19. Special addition to wages for federal income tax		-		=		See instructions	
	allocable to qualified family leave wages (Form 941 or 941-SS, line 20)		-		=			
LINE 30	30. Qualified wages for the employee retention credit (Form 941 or 941-SS, line 21)	22,368	-	-0-	=	22,368		
LINE 31	31. Qualified health plan expenses allocable to wages reported on Form 941 or 941-SS, line 21 (Form 941 or 941-SS, line 22)	2,921	-	-0-	=	2,921		
	32. Credit from Form 5884-C, line		-		=			

This is how most businesses will need to claim the ERTC for 2020 – Submit Form 941 X in 2021 (Amend previously filed Form 941). You have 2 Years to Amend your 941

Some Finer Points

- For 2020 tax returns, reduce your payroll expense deduction by the ERTC taken in 2020. Example: In 2020, the business had \$145,800 of payroll. The business took \$15,000 of ERTC. Deduct \$130,800 on the tax return (\$145,800 - \$15,000)
- A business that was formed after February 15, 2020 can still take advantage of the ERTC as a startup business:
 1. Average annual gross receipts cannot exceed \$1 Million
 2. Total ERTC for each Quarter (3rd and 4th 2021) is capped at \$50,000
 3. Startup business does **not** have to qualify under the shut down or gross receipts test similar to all other businesses
- Gross Receipts for tax exempts includes donations, contributions and grants
- Gross Receipts is measured per the accounting method (cash basis or accrual) that you elected on your business tax return
- Form 7200 – Can file for an Advance; but there is a major back log at the IRS. Suggest businesses simply apply the ERTC with each quarterly 941 in 2021.

Recommended Videos and Articles on ERTC

CPA YouTube Videos

<https://youtu.be/amYt3YdU82Q>

<https://youtu.be/FKUC9dSfLJs>

<https://www.youtube.com/playlist?list=PLms23XmPwMnF3H24pvK8pfIB07dLK8fl7>

Articles

<https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>

<https://www.irs.gov/newsroom/covid-19-related-employee-retention-credits-general-information-faqs>

<https://www.patriotsoftware.com/blog/payroll/coronavirus-payroll-tax-credits/>

<https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/valuing-health-plan-costs-for-payroll-tax-credits-coronavirus.aspx>

POWERED BY



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