

The Employee Retention Credit Provides Additional Help to Employers During the COVID-19 Crisis

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Employers may be eligible to claim a refundable tax credit against certain employment taxes during the COVID-19 crisis if:

- (1) Business operations were fully or partially suspended due to a COVID-19-related shut-down order, or
- (2) Gross receipts declined by more than 50% as compared to the same quarter in the prior year.

For eligible employers who have 100 or fewer full-time employees, all employee wages qualify for this credit. For eligible employers with more than 100 full-time employees, only wages paid to employees when they are not providing services due to the COVID-19-related circumstances will qualify. The credit applies to the first \$10,000 of compensation (including health benefits) paid to an eligible employee during March 13, 2020 – December 31, 2020. The amount of the credit is 50% of qualified wages, or up to \$5,000 per employee.

The amount of the Employee Retention Credit allowed for any calendar quarter cannot be more than the 6.2% Old Age, Survivors and Disability Insurance (OASDI) tax imposed on the eligible employer—reduced by certain credits—on the wages paid for all of the employer’s employees for the calendar quarter.

If the credit amount is more than the OASDI tax imposed on the employer, the difference is treated as an overpayment that must be refunded.

Consistent with this treatment, the excess will be applied to offset any remaining tax liability on the eligible employer’s employment tax return, and any remaining excess will be reflected as an overpayment on the return.

An eligible employer’s ability to claim the credit is impacted by other credit and relief provisions as follows:

- (1) If an employer receives a Small Business Interruption Loan under the Paycheck Protection Program, then the employer is not eligible.
- (2) Wages for this credit do not include wages for which the employer received a tax credit for paid sick and family leave.
- (3) Wages counted for this credit cannot be counted for the credit for paid family and medical leave.
- (4) Employees are not counted for this credit if the employer is allowed a Work Opportunity Tax Credit for the employee.

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