



Coronavirus Tax Relief for Employers and Business Owners

Mike Mudroncik, IRS Stakeholder Liaison



Mike Mudroncik, IRS





The plan for today

- **Employee Retention Credit**
- **Families First Coronavirus Response Act (FFCRA) & Employer Tax Deferral**
- **Q & As**



What is the Employee Retention Credit?

A fully refundable tax credit for employers equal to 50 percent of qualified wages (including allocable qualified health plan expenses) that Eligible Employers pay their employees.



Employers Eligible for the Employee Retention Credit

Carry on a trade or business in 2020 that either:

- 1. Was fully or partially suspended by government order due to COVID-19**
- 2. Experiences a significant decline in gross receipts**

Not eligible:

- Governmental employers**
- Self-employed individuals for their own services and earnings**



Operations fully or partially suspended

- **Trade or business operations fully or partially suspended during any calendar quarter in 2020 due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19**



Significant Decline in gross receipts

- **1st quarter in which gross receipts for a calendar quarter in 2020 are less than 50% for the same quarter in 2019**
- **Eligibility continues until after a calendar quarter where the employer's 2020 gross receipts for the quarter are greater than 80% of its gross receipts for the same calendar quarter of 2019.**

- ***Ex.: Employer's gross receipts in 2020 are down by:
Q2-48%, Q3-83%, Q4-92%***

What quarters would the employer be eligible?



Qualified Wages

- **Paid to employees: March 13, 2020 - December 31, 2020.**
- **Depends on the average number of full-time employees employed during 2019.**
- **Includes qualified health plan costs that are allocable to wages.**



Qualified Wages

Wages based on the average number of a business's employees in 2019.

Employers with less than 100 FT employees:

- **The credit is based on wages paid to *all* employees, regardless of whether they provided services.**

Employers with more than 100 FT employees:

- **The credit is allowed *only* for wages paid to employees for the time when they are not providing services .**



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Employee Retention Credit

Changes & Extended to 2021 (to 6-30-21)

- **PPP Loan Recipients are now eligible to take ERC**
- **Catch up option (take all wages in the last quarter of 2020)**
- **Annual Cap become Quarterly Cap (\$10,000 wages per employee)**
- **Credit percentage increased from 50% to 70%**
- **Decline in gross receipts went from 50% to 20%**



Claiming the credits

- Expanded to March 31, 2021 (no changes)
- Report qualified wages & credits for each calendar quarter on Form 941s –*Employer’s Quarterly Federal Tax Returns*.
- Tax credit may be claimed against payroll tax deposits that are otherwise required to be made.
- If credit exceeds the payroll deposit, the employer may apply for advance refund per Form 7200, *Advance Payment of Employer Credits Due To COVID-19*.
- In 2021, file a Form 941x for qualified leave paid in 2020. For leave paid in 2021, you would follow the instructions above.



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Paid Sick Leave Credit

Eligible employers may claim tax credit if employee is unable to work or telework due to:

- **COVID-19 quarantine (pursuant to Federal, State, or local government order or advice of a health care provider)**
- **COVID-19 symptoms**
- **COVID-19 medical diagnosis**

Eligible employers may claim credit at the employee's regular rate of pay:

- **up to \$511 per day; \$5,110 in total**
- **for a total of 10 days for this credit**



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Paid Family Leave Credit

Eligible employers may claim tax credit if employee is unable to work or telework due to:

- caring for someone with COVID-19 or
- caring for a child because the child's school or place of care is closed, or
- childcare provider is unavailable due to COVID-19

Eligible employers may claim credit for two-thirds of the employee's regular rate of pay:

- up to \$200 per day; \$2000 in total
- for a total of 10 days for this credit



How to claim these credits

Report on quarterly 941

- Wages
- Qualified Health care expense
- Eligible Medicare tax

First reduce federal employment tax deposits

To claim the advanced credit, file Form 7200

In 2021, file a Form 941x for qualified leave paid in 2020. For leave paid in 2021, you would follow the instructions above.



Recordkeeping

Maintain:

- **Records and documents**
 - **Form 941, Employer's Quarterly Federal Tax Returns**
 - **Form 7200, Advance Payment of Employer Credits**
- Due to COVID-19**



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Employment Tax Deferral

- Defer deposit and payment of the employer's share of Social Security taxes without penalty (6.2% of employee wages)
- Payroll tax deferral period:
March 27, 2020 thru December 31, 2020 & extended for all of 2021



Who may defer employment tax deposits?

- All employers
- Self Employed Individuals.
- PPP loan recipients



Applicable dates for deposits

- December 31, 2021, 50 % of the deferred amount;
- December 31, 2022, 50% of the remaining amount.



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Claiming the Deferral

- In 2020 employers would have taken it on Form 941 Employer's Quarterly Federal Tax Return. refund.
- In 2021, you would take it on Form 941 (or Form 941x for 2020). Self-employed individuals can use 2020 Form 1040 (Sch. E & Sch. 3)



Impact of other credit provisions

- **Employee Retention Credit – Care Act**
- **Paid Family and Sick Leave Credit – Families First**
- **Employer tax deferral**
- **Small Business Loan – Paycheck Protection Program (PPP)**



PPP Loan forgiveness

IRS Notice 2020-32

Normal rules: When a business gets a loan, it does not include the loan as income. It will pay back the loan over time, including interest. \$50,000 comes in to their bank account. \$50,000 plus interest will leave their bank account. Therefore, they get to deduct the expenses.

Normally, a forgiven loan or debt is included as income in the year in which it's forgiven.



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PPP Loan forgiveness IRS Notice 2020-32

The CARES Act (Notice 2020-32) says that if the PPP loan is forgiven, it is not taxable income to the business.

Revenue Ruling 2021-02 supersedes Notice 2020-32 when it come to the deductibility of the expenses paid by a forgiven PPP loan. The expenses are now deductible.





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EIDL Loan

- *EIDL Advance (up to \$10,000) is not taxable*
- *EIDL Loan is not taxable*
- *Expense paid by both advance & loan are deductible if they are valid business expenses.*





Resources

[Irs.gov/coronavirus](https://www.irs.gov/coronavirus)

- **New Releases**
- **FAQs**
- **Employee Retention Credit, Paid Leave Credit,
Employer Tax Deferral**
- **Publication 5419**



Questions?



Thank You!