



The Employee Retention Tax Credit

Eligible Employer Qualifying Checklist

The Employee Retention Credit (ERTC) is a fully refundable payroll tax credit that was created to assist employers to keep their employees on their payroll.

For 2020, each employee can qualify for up to \$5,000 of credit for the year. For 2021, each employee can qualify for **up to \$7,000 of credit per employee per quarter for the first three quarters of 2021.**

Do You Qualify?

Provided below are two **eligibility criteria** to qualify for the credit. Please note that the complete or partial closure must occur during the quarter that you anticipate claiming the ERTC.

☐ **Did you experience a significant decline of more than 20% in gross receipts during 2021 OR more than 50% for 2020 compared to same quarter in 2019?**

- Alternatively, ONLY for Q1 and Q2 2021, employers may elect to measure the decline in their gross receipts using the immediately preceding calendar quarter compared to the same calendar quarter in 2019
- *E.g., For Q1 2021, you can compare Q1 2021 to Q1 2019 OR Q4 2020 to Q4 2019 to determine if there is a more than 20% decline*

☐ **Complete or Partial Closure of Business Operations due to Governmental Order?**

Here are some examples to help you determine if your business may be fully or partially suspended due to a governmental order:

1. If more than a nominal portion of its business operations are suspended by a governmental order. ☐

EXAMPLE: Company that is fully operating can qualify if more than a nominal portion of its business operations are suspended by government order.

2. If a governmental order has had more than a nominal effect on business operations ☐

EXAMPLE: A business remains completely open but its operations are subject to modification due to a government order (for example, satisfying distancing requirements), the modification will create a partial shutdown if it has more than a nominal effect on business operations.

3. If supplies are not being delivered that causes partial suspension of its operations

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EXAMPLE OF MANUFACTURING COMPANY: Company is an automotive parts manufacturing business that is considered as an essential business. Company's supplier of raw materials is required to shut down its operations due to governmental order AND as a result unable to procure these raw materials from an alternate supplier. As a result of the governmental order that suspended operations of the supplier, this Company would be considered as eligible.

4. If closure of the workplace causes the employer to suspend business operations for certain purposes, but not for others due to governmental order

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EXAMPLE OF SCIENTIFIC RESEARCH COMPANY: Company conducts research in lab setting and through use of computer modeling. Company can conduct computer modeling research remotely, however lab-based research operations could not be conducted remotely (other than administrative tasks). This company is eligible as some portion of their business could not continue in a comparable manner.

EXAMPLE OF PHYSICAL THERAPY FACILITY: Company is a physical therapy facility and required to close workplace. Company moves to online format to provide their services. Even though they can serve clients remotely, employees cannot access specific equipment or tools that they typically use in therapy. Company is considered to be eligible since they could not access equipment.

5. If certain business operations were halted due to inability to serve some of their clients remotely

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EXAMPLE OF RETAIL BUSINESS: Company must close its retail locations due to governmental order, however they are able to maintain a website to sell their products online. Although their e-commerce platform is unaffected by governmental order, they are still considered to be eligible and partially suspended due to closing of retail stores.

6. If certain business operations were required to reduce its operating hours by a governmental order

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EXAMPLE OF FOOD PROCESSING COMPANY: Food processing facility normally operates 24 hours a day. A governmental order by local health department requires all essential food processing businesses to deep clean their workplaces every day to reduce risk of COVID exposure. Company reduces operating hours by 5 hours per day so that a deep cleaning can be conducted.

If you checked off either one of the two eligibility criteria, you qualify as an Eligible Employer for the Employee Retention Tax Credit!

Contact SueArellano@scvedc.org to arrange for a confidential, virtual session to explore eligibility.