

Employee Retention Credit (ERC)

PREPARED BY
HIREtech & Paycor



CHANGES TO THE ERC

On December 27, 2020, President Trump signed the Consolidated Appropriations Act of 2021, which expanded and extended the Employee Retention Credit (ERC). The ERC has been extended through June 30, 2021, and provisions have been made to give more businesses an opportunity to earn the ERC. For example, employers that received Paycheck Protection Program (PPP) loans can now also qualify for the ERC for wages that are not paid for with forgiven PPP loans. Also, starting January 1, 2021, employers can claim a credit up to \$7,000 per employee per quarter, whereas the prior rules allowed \$5,000 per employee per year.

AM I ELIGIBLE? IF SO, HOW MUCH CREDIT WILL I RECEIVE?



Offset your payroll tax and get cash back for credits above your payroll tax liability. This credit is refundable, meaning if you qualify for \$50,000 in credit and only owe \$8,000 in payroll taxes, you get a \$42,000 cash refund.

Previously, the tax credit was equal to **50%** of wages and compensation, up to \$10,000 in wages for the year (2020). The new legislation expanded the ERC and made Q1-Q2 2021 equal to **70%** of wages and compensation, up to \$10,000 in wages for each quarter. This equals a max potential credit of \$14,000 per qualified employee for Q1-Q2 2021 in addition to the 2020 credits.

There are no limitations on how you can spend the cash, and no arbitrary payroll benchmarks to establish.



Employers are eligible if their business operations have been fully or partially suspended as a result of a government order,

OR

For 2020, if the business experiences a **50%** reduction in quarterly receipts compared to a base period;

OR

For 2021, if the business experiences a **20%** reduction in quarterly receipts compared to a base period.



Previously, businesses with **100** or fewer full-time employees, could take the tax credit on all their employees. New legislation has changed that number to **500** full-time employees.

For employers with **500** or fewer full-time employees, the tax credit is for wages paid to all employees. For example, if you have **490** full-time employees and **200** additional part-time employees the entire payroll is eligible up to the maximum credit per employee.

For employers with more than **500** full-time employees, the tax credit is for wages paid to employees not working. There is no limit on the number of employees or the size of your company that prevents you from taking your credit.

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ALREADY TOOK A PPP LOAN ?

Effective January 1, 2021, businesses that received a PPP Loan can also claim the ERC retroactively, as long as the same wages are not used for both programs. Also, HIREtech can help you capture your ERC credits for payroll from March 13, 2020 up until your PPP Loan date, and then again after your loan funds were used.

Get cash back for the employees that you retained in 2020 and beyond.

WHAT ARE THE CALCULATION PITFALLS?

Navigating the complexities of this new credit with the various legislative wage offsets can be difficult.

Did you know that businesses can't:



BUT YOU CAN...

Ht

Take multiple tax credits for the same employee. Our technology has been updated to reflect these complex calculations and allows you to maximize your tax credits **NOW** and in the **FUTURE**.

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THE HIREtech ADVANTAGE



1. TIME

Your business needs money to stay afloat now. HIREtech can expedite the various forms and calculations for your business, reduce or eliminate payroll tax owed, **AND** recquest cash refunds from the IRS by filing **Form 7200**. HIREtech will coordinate with your payroll provider to properly calculate your quarterly **Form 941**. While some payroll providers are unable to file the new **Form 7200**, HIREtech can help expedite your cash advance.



2. WOTC AND COVID CREDITS OFFSET

The same wages that are used for the WOTC program are used for the ERC. Our system is designed to accommodate the offset, even pushing wages towards maximizing the more valuable program's calculations first, before pushing wages into the lesser of the two programs (*i.e.*, $ERC > WOTC$). You can take multiple tax credits on the same employee but cannot overlap wages. Our tax credit technology handles these calculations for you.



3. OPERATIONAL REVENUE TRACKING

Employees claimed as part of the ERC under operational revenue qualification will need to have their calculations continued quarter to quarter, tracking when revenue and individual locations locked down return to normal. Our comprehensive report will establish and simplify the many complex factors that establish the calculation and various shut down variables by location.



4. DATA FEEDS

We have data integrations with most of the large payroll companies and many smaller providers, which allows us to expedite credit identification and generation. Our client service teams will handle this process for you so you can focus on running your business. In addition (bearing in mind the need to securely manage your workforce data to enable credit maximization), HIREtech has been built from the ground up for security and availability. We are fully SOC 1 Type 2 and SOC 2 Type 2 compliant and we take the privacy and security of your data and credit calculations as serious as you do.

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WHY CAN'T I DO THIS MYSELF?

You certainly can. However, with over 15 years of tax credit expertise, we know what to expect when this pandemic is behind us.

Scrutiny on these programs is lax now due to the sudden nature of the COVID-19 pandemic. However, this will not remain the case. It has already been implied that auditing of program recipients will become a major focus for the IRS. Like similar programs in the past, it is tempting to go at it alone, but it is inevitable the IRS will begin to look into the data and inspect taxpayers to validate eligibility and accuracy. There is nothing to fear if you have the right tax credit company behind you with experience preparing contemporaneous documentation.

Just a few quick highlights of HIREtech's tax credit offering:

- HIREtech establishes and documents the shutdown times by industry, geography, and qualified employee.
- Through a survey/questionnaire provided to each client, HIREtech establishes clear proof of eligibility, tracking operational revenue benchmarks (when applicable) and documenting details around employees that were paid and did not work (when applicable).
- Accurately calculate and maximize the various tax credit wage offsets.
- Provide a comprehensive COVID-19 tax credit report package to create peace-of-mind.
- HIREtech includes Audit Defense on all projects at no additional cost.

We stand behind our work so you can get your people **back to work.**

The stakes are too high for you to use a firm that doesn't have the legal or tax credit expertise you need to maximize your relief.

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