

## News & Insights

### Tax Attorney David Potts in Gavel to Gavel - Extension on Employee Retention Credit

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*The Journal Record*

<https://journalrecord.com/2021/02/10/gavel-to-gavel-changes-apply-to-employee-retention-tax-credits/>

The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020, made a number of changes to the employee retention tax credits previously made available under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), including modifying and extending the Employee Retention Credit ("ERC"), for six months through June 30, 2021.

As a result of this legislation, eligible employers can now claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages they pay to employees after December 31, 2020, through June 30, 2021. Qualified wages are limited to \$10,000 per employee per calendar quarter in 2021. Thus, the maximum ERC amount available is \$7,000 per employee per calendar quarter, for a total of \$14,000 in 2021.

Effective January 1, 2021, employers are eligible if they operate a trade or business during January 1, 2021, through June 30, 2021, and experience either: (1) A full or partial suspension of the operation of their trade or business during this period because of governmental orders limiting commerce, travel or group meetings due to COVID-19; or (2) A decline in gross receipts in a calendar quarter in 2021 where the gross receipts of that calendar quarter are less than 80% of the gross receipts in the same calendar quarter in 2019 (to be eligible based on a decline in gross receipts in 2020 the gross receipts were required to be less than 50%).

In addition, the definition of qualified wages was changed to provide: (1) For an employer that averaged more than 500 full-time employees in 2019, qualified wages are generally those wages paid to employees that are not providing services because operations were fully or partially suspended or due to the decline in gross receipts; and (2) For an employer that averaged 500 or fewer full-time employees in 2019, qualified wages are generally those wages paid to all employees during a period that operations were fully or partially suspended or during the quarter that the employer had a decline in gross receipts regardless of whether the employees are providing services.

Employers are encouraged to take advantage of this newly extended employee retention credit, designed to make it easier for businesses who choose to keep their employees on the payroll.

## Attorneys

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