

Employee Retention Tax Credit (ERTC)

Get paid from the IRS for keeping your staff employed!

The ERTC is a tax credit that pays qualified employers a refundable per-employee tax credit. Congress created the credit to encourage employers to retain staff during the pandemic. Note this is a *refundable* tax credit. You, the employer, get returned via Cardinal a tax credit once the payment is processed by the Internal Revenue Service (IRS).

This tax credit is complicated. This is a broad overview to help you determine if you are qualified and how to claim the credit via Cardinal. There were four laws passed creating and modifying this tax credit. There are differing criteria and benefits based on the year. With that in mind, we created a three-column guide. The first column outlines general credit coverage. The second column addresses eligibility. The third explains covered wages. All three compare 2020 versus 2021 criteria.

Tax Credit

Tax Credit	2020	2021
Duration of Credit	Wages paid from March 13, 2020 through December 31, 2020	Wages paid from January 1, 2021 through September 30, 2021
Amount of Credit	\$5,000 per employee (50% of up to \$10,000 wages)	\$7,000 per employee per quarter (70% of up to \$10,000 wages)

Employer Eligibility

Employer Eligibility	2020	2021
Government Order	Operations fully or partially suspended under government order due to COVID-19. <i>* See additional information Shutdown Qualifying on the last page</i>	
Gross Receipts	Below 50% compared to same quarter in 2019	More than 20% decrease compared to the same quarter in 2019*
Gross Receipts Extension	One quarter after rebound to 80%	Previous test goes away, replaced by option to use preceding quarter

Qualified Wages

Qualified Wages	2020	2021
Small Employers	If 100 or fewer employees, all wages paid to <u>any employees</u>	Threshold increased to 500 employees
Large Employers	If more than 100 employees, only wages paid to <u>idle employees</u>	If more than 500 employees, only wages paid to <u>idle employees</u>
Health Plan Expenses	Certain group health plan expenses are treated as wages for ERTC purposes	
FFCRA Wages	Wages paid under the FFCRA are excluded	
Wages for PPP Forgiveness	Wages used to obtain PPP forgiveness are excluded	

* Qualifying under the “Business Operations Full or Partial Shutdown” Criteria

Using the criteria of the partial shutdown/government mandate due to a change in business operations is more difficult to prove due to the issuance of three sets of laws. Your best practice is to look at the IRS interpretations. Also recommended: double check on the full shut down if your situation does not cover the whole quarter.

NOTE: the link below indicates the page is out of date, but links to the three sets of rules under “current guidance”, that say they are current.

<https://www.irs.gov/newsroom/covid-19-related-employee-retention-credits-determining-when-an-employers-trade-or-business-operations-are-considered-to-be-fully-or-partially-suspended-due-to-a-governmental-order-faqs>

**Below 80% of revenue is how the rule is written. But think of it as a revenue decrease of more than 20%. If you had \$1000 in revenue in 3Q2019 and \$790 of revenue in 3Q2021, that is a 21% decrease making you eligible.

If you select to qualify by “Government Order” criteria, you should review and retain a copy of the Executive Orders. <https://coronavirus.oregon.gov/Pages/executive-orders.aspx>

Disclaimer: Please note that while we are inserting the usual disclaimer that this is not legal or tax advice, be extra cautious as rules governing this process are still being written or revised by the Federal Government, especially around what are considered qualified wages. Cardinal can provide

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data on wages that we have processed and filed in tax reports but not tax or legal advice. Employers should consult tax or legal professionals on items needing a qualified expert.