



Employee Retention Tax Credit

If your company is eligible to receive the Employee Retention Tax Credit, you have one of two options to claim the credit. You can send us a completed and signed 7200 Tax Form and we will give you a credit on your next invoice for the credit amount or you can submit Form 7200 directly to the IRS. We recommend that you send it to us and let ELM credit your account so we can properly account for the credit on the 941. One big advantage of using ELM is that we submit and pay multiple, large tax payments each week so we should be able to quickly cover your tax credit amount.

The IRS is requiring us to obtain and keep for our records an executed copy of Form 7200. It won't be necessary to send us back-up documentation showing how the credit was obtained but you will need to keep a copy for your records. However, if you would like to send us that information also, we will keep it on file along with Form 7200.

We are here to help as much as possible with determining credit eligibility and amount. However, this credit has so many moving parts that we are asking all clients to submit the information to their accountant or tax professional to prepare.

Employers, including tax-exempt organizations, are eligible for the credit if they operate a trade or business during calendar year 2020 and experience either:

- 1. the full or partial suspension of the operation of their trade or business during any calendar quarter because of governmental orders limiting commerce, travel or group meetings due to COVID-19, or*
- 2. a significant decline in gross receipts.*

A significant decline in gross receipts begins:

- on the first day of the first calendar quarter of 2020*
- for which an employer's gross receipts are less than 50% of its gross receipts*
- for the same calendar quarter in 2019.*

The significant decline in gross receipts ends:

- on the first day of the first calendar quarter following the calendar quarter*

- *in which gross receipts are more than of 80% of its gross receipts*
- *for the same calendar quarter in 2019.*

The credit applies to qualified wages (including certain health plan expenses) paid during this period or any calendar quarter in which operations were suspended.

What are Qualified Wages?

Employers who qualify, including borrowers who took a loan under the initial PPP, the credit can be claimed against 50 percent of qualified wages paid, up to \$10,000 per employee annually for wages paid between March 13 and Dec. 31, 2020.

Employers who qualify in 2021, including PPP recipients, the new law expands the credit and allows them to claim a credit against 70% of qualified wages paid. Additionally, the amount of wages that qualifies for the credit is now \$10,000 per employee per quarter for the first two quarters of 2021. So, an employer could claim \$7,000 per quarter per employee or \$14,000 for 2021.

PLEASE NOTE: THE IRS IS STILL ISSUING GUIDANCE ON THIS MATTER SO WE APOLOGIZE IF YOU EXPERIENCE ANY DELAYS ON GETTING THESE CREDITS PROCESSED. HOWEVER, THIS SITUATION IS NEW TO EVERYONE AND ALL THE GOVERNMENT AGENCIES AND SOFTWARE COMPANIES ARE SCRAMBLING TO CATCH UP.