

## **Hurricane ERTC The Perfect Storm**

The Employee Retention Tax Credit, better known as ERC or ERTC, is obviously a very hot topic these days. I wanted to take a minute and give everyone that has already filed an update on where things stand and a little heads up to those who haven't but are thinking about it. A little disclaimer, this is strictly my opinion based on experience and a little conjecture.

### **The Basics**

Qualifying businesses can receive a tax credit of 50% of an employee's wages up to a maximum of \$10,000 in wages for all of 2020 and a 70% credit of an employee's wages up to a maximum of \$10,000 per quarter in 2021. The credit is filed with the IRS by submitting a corrected 941 tax form (941x) and waiting a **really, really long time** for a check.

Owner's wages are not eligible for the credit.

### **I filed over a year ago, where is my money?**

The IRS started out estimating a turnaround time of 12-18 months from submission to cutting of checks. That time frame has now been moved to 18-24 months. We don't expect it to actually take two years, but that is the answer you receive from the IRS.

### **My buddy down the street already received their money, why not me?**

That is really hard to answer but please understand that many variables are in play. We do know that the size of the claim will have an impact upon turnaround time. The larger the amount the more levels of "underwriting" it must pass before being approved.

Please also remember that the ERTC tax credit was a new entity that was thrown in at the last minute with no real plan in place for its implementation and management. If you combine that with an overwhelmed understaffed bureaucracy, delays are going to happen. Heck, the IRS is still using a DOS system and all communication must be faxed or mailed.

### **Is ELM doing anything to help get our money?**

I promise we are trying everything we can to get the money out as fast as possible. Thanks to the help of one of our clients, we were able to get a local Congressman to make calls on our behalf. We think that is helping but it is hard to really know. We reached out to other Senators and members of Congress but were ignored. It is really hard to blame them since they don't have much more pull than anyone else with the IRS.

We continue to call regularly for updates. From those calls, we know they have them and that they are in process. Where in the process is vague since you aren't able to directly talk to folks handling the ERTC.

**Has anyone received any money yet?**

Absolutely! To date ELM has handed out checks totaling more than \$4 Million dollars. Once we receive the check from the IRS, our goal is to hand them to you in under a week.

**What is ELM’s fee for handling this on our behalf?**

We haven’t and won’t charge for helping clients gets their ERTC tax credits. We feel it is our obligation and responsibility to assist our clients through this difficult time.

**Will the ERTC run out of money before I get my credit?**

Unlike the PPP and Restaurant Revitalization Fund, their wasn’t a set amount of funds to handle all the ERTC claims. Since it is a tax credit and not a “loan” or “grant”, funding shouldn’t be an issue. I don’t anticipate the spicket being turned off or cut short but of course there are no guarantees.

**I am getting regular solicitations from ERTC “experts” and law firms to handle my claim.**

**Should I use one of them?**

That is really up to you. However, the math is much easier than they lead you to believe and many seem to be charging percentages that seem extremely excessive. They like to refer to their calculation software but basically a few payroll reports and excel is all you really need.

The biggest part of ERTC is determining eligibility and even if the “expert” considers you eligible it would be extremely wise to ask your accountant or tax professional to look over their shoulder.

**They are telling me I can get \$26,000 per employee, is that accurate?**

It is possible. However, that is assuming every employee earned at least \$10,000 in wages per period, PPP funds don’t drop those wages below \$10,000 and your business is eligible for the entire ERTC eligibility period.

Remember, the law says **up to** \$10,000 in wages. If you only paid your employee \$6,000 in eligible ERTC wages then the credit would only be \$3,000 for 2020 (50%) or \$4,200 (70%) for that particular quarter in 2021.

Basically, to get the entire \$26,000 per employee the company would need to qualify for the entire eligible period from March 13 2020 – Sept 30, 2021. After backing out the payroll used for PPP forgiveness, the employee would have to earn at least the following wages plus company share of Health Insurance if applicable:

March 13 – Dec 31, 2020	\$10,000 wages = \$5,000 credit
Qtr 1 2021	\$10,000 wages = \$7,000 credit
Qtr 2 2021	\$10,000 wages = \$7,000 credit
Qtr 3 2021	\$10,000 wages = \$7,000 credit
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	\$26,000 max credit available

**The ERTC “expert” said they wouldn’t charge me a fee unless I receive a credit**

I don’t doubt them, but what they aren’t saying is that the IRS is doing very little to determine eligibility during the underwriting process. You aren’t required to submit any financial statements, proof of government mandated full or partial shutdowns, supply interruptions, etc... at time of application. Therefore, the IRS is assuming that if you submit a claim then you are eligible.

**What happens next?**

That is honestly the million-dollar question that no one can answer at this point. Will the IRS go on an audit rampage in a year or two? Will I be required to submit back up proof later? What happens if I received a check but later it is determined I wasn’t actually eligible?

I really don’t want to scare anyone away from filing. Heck, it is actually in ELM’s best interest if you receive the funds and use it to invest back in your business. However, I just want everyone to walk in to this with their eyes open and make the best decision for both today and down the road. What that decision is can only be answered by you with some guidance from your accountant and/or tax professional.

Thanks for your time and for those that filed already but are still waiting on a check, thanks again for your patience. Trust me, we understand and wouldn’t knowingly or intentionally cause you any unnecessary delays. At this point, I would happily drive to Washington and get the checks if I thought they would let me past security.

Joe Collins  
President  
ELM