

Employee Retention Credit FAQs

April, 2020

The Employee Retention Credit was designed to help ease some of the burden from employers and give them incentives to keep their employees on their payroll. Our guide provides answers to some of your frequently asked questions to better understand these incentives.

What is the Employee Retention Credit?

This is a fully refundable tax credit equal to 50% of qualified wages including health plan expenses. It applies to wages paid after March 12, 2020 and before January 1, 2021. The maximum amount of wages per employee for all calendar quarters is \$10,000, so that the maximum credit for each employee is \$5,000.

Important Note: Wages used for the refundable credit for required leave under The Families First Coronavirus Response Act cannot be used for purposes of this credit. No double dipping is allowed.

Which employers are eligible?

Eligible employers include those that carry on a trade or business during calendar year 2020, including tax exempt organizations that either:

- 1 Fully or partially suspend operations during any calendar quarter in 2020 due to orders from an appropriate governmental authority limiting commerce, travel or group meetings, or
- 2 Experiences a significant decline in gross receipts during the calendar quarter

What is a significant decline in gross receipts?

- ▶ It begins when a business's quarterly gross receipts are less than 50% for the same calendar quarter in 2019.
- ▶ It ends in the quarter after a business' gross receipts are greater than 80% for the same calendar quarter during 2019.

What are qualified wages?

- ▶ If the employer averaged more than 100 full-time employees, qualified wages are wages paid to an employee for the time the employee is not providing services.
- ▶ For employers with less than 100 average employees, qualified wages are those paid to any employee.

How is the credit applied?

- ▶ The credit is applied against the employer portion of social security taxes.

What are the exceptions?

- ▶ You cannot claim this credit if you receive a loan under the paycheck protection plan.

What are some examples of how this credit works?

- 1 An employer pays \$10,000 of qualified wages to Employee A in Q2 2020. The credit allowed is 50% or \$5,000.
- 2 An Employer pays \$8,000 of qualified wages to Employee B in Q2 of 2020 and another \$8,000 in Q3 of 2020. The credit allowed is \$4,000 in Q2 and \$1,000 in Q3 (\$5,000 max per employee).
- 3 An Employer pays \$10,000 of qualified wages to Employee A in Q2 2020. The \$5,000 credit allowed may be applied against the employer share of social security taxes that the employer is liable for with respect to all employee wages paid in Q2 2020. Any excess is treated as an overpayment and refunded.
- 4 An Employer pays \$10,000 in qualified wages. They are otherwise required to deposit \$8,000 in employment taxes, including taxes withheld from all of its employees for wage payments made during the same quarter. The employer may keep up to \$5,000 of the taxes that they were going to deposit without penalty.
- 5 An employer paid \$20,000 in qualified wages and is entitled to a credit of \$10,000 and is otherwise required to deposit \$8,000 in employment taxes including taxes withheld from all of its employees. They can keep the entire \$8,000 of taxes they were supposed to remit and also can file form 7200 to request an advance of the remaining \$2,000.

Please contact your advisor, or tax or business management specialist with any questions about this program.

For more information, please read our other helpful guides:

[Key Components of the CARES Act for Individuals](#)

[What Businesses Need to Know About the CARES Act](#)

[Paycheck Protection Program FAQs](#)

[Families First Coronavirus Response Act FAQs](#)

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