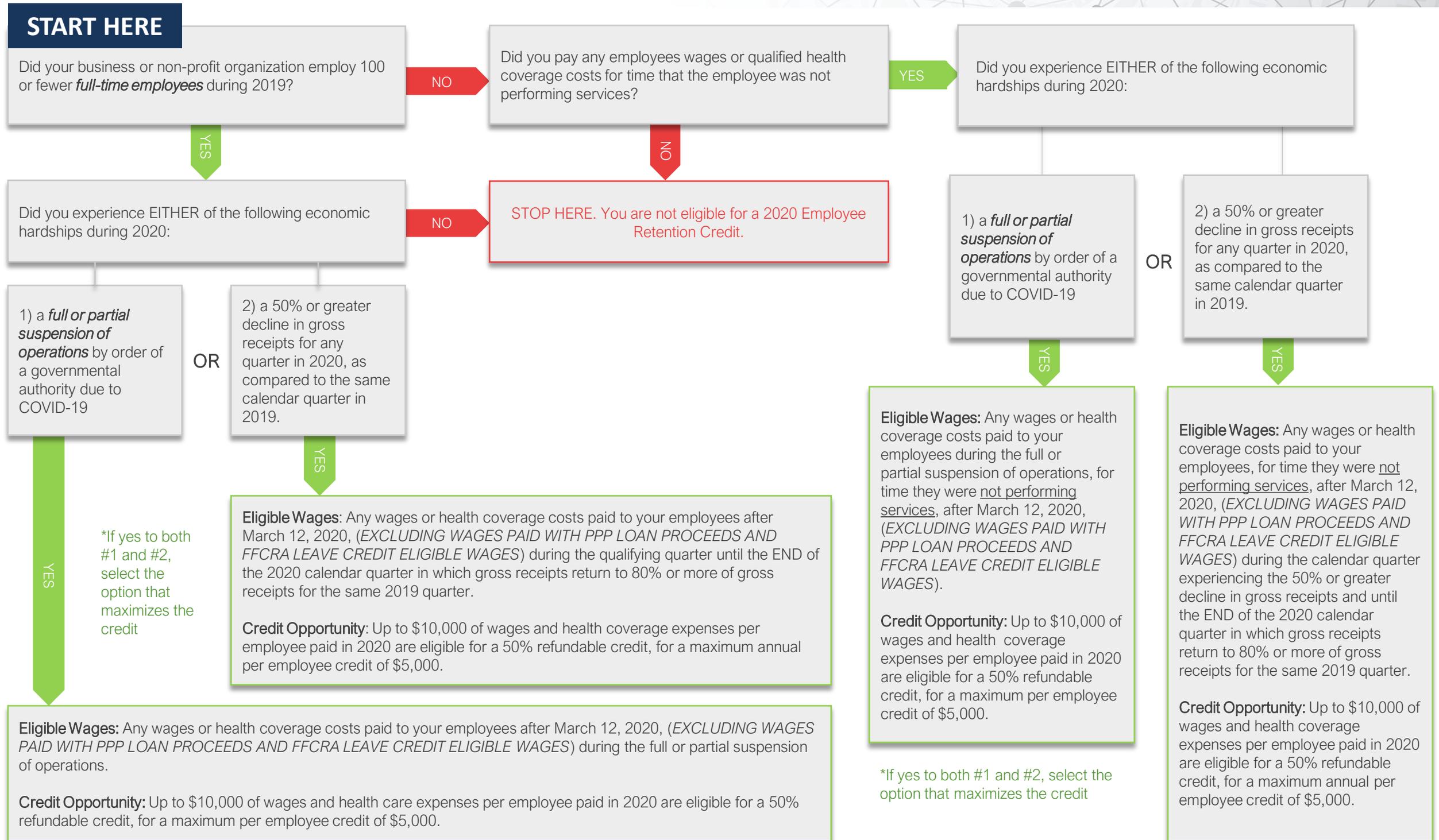


# Is your Organization Eligible to Receive Valuable Employee Retention Credits for 2020?

The Taxpayer Certainty and Disaster Tax Relief Act of 2020 made impactful changes to the Employee Retention Credit opportunities and benefits for small business and non-profit employers. It is critical to understand, however, that for 2020 the Act only changed the ELIGIBILITY qualifications for the credits, NOT the computations or amounts, which will become effective in 2021. The biggest change to Employee Retention Credit eligibility for 2020 was the move to allow certain PPP loan recipients, who were previously disqualified, to claim these credits for wages paid with non-PPP funds during the year.

See the next page for key definitions, considerations & reminders



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## Key Definitions, Considerations & Reminders

**PPP Forgiveness Planning Point:** Now that small business and non-profit employers are allowed to have a PPP loan AND qualify for the Employee Retention Credit, it will likely be beneficial For ERC eligible employers to MINIMIZE the qualified payroll expenses and MAXIMIZE other qualified expenses used for the PPP loan forgiveness application. Doing so will allow employers to save these payroll expenses to be used for the ERC.

**Qualified Health Coverage Costs:** If the business or non-profit employer meet either of the economic hardship tests, then they are also eligible to take the Employer Retention Credit for any employer paid health care/coverage costs that were paid on behalf of the employees during 2020. While the over 100 full-time employee rules about providing service still apply, this is an opportunity for employers who may have furloughed employees but continued to pay for health care coverage and those who did not use health care costs in their PPP loan forgiveness expenses.

**New Employers Not in Business in 2019:** There are additional opportunities and guidelines for the Employee Retention Credit for employers who were not in business for all of 2019.

**Exclusion of Owner Family Wages:** Wages paid to the family of a greater than 50% owner are not eligible for the Employee Retention Credit. The IRS defines family as a child, grandchild, brother, sister, stepbrother, stepsister, father, mother, grandparents, stepfather, stepmother, niece, nephew, aunt, uncle or any in-laws (mother, father, brother, sister, daughter, son).

### KEY DEFINITIONS:

**Full-time Employee:** Any employee who is employed on average at least 30 hours of service per week in any month during 2019. This is calculated by adding up, per month, all employees averaging 30 or more hours, totaling the 12 months, and dividing by 12 months to calculate the average number of full-time employees per month in 2019.

**Full or Partial Suspension of Operations:** Any full or partial closure of the workplace due to a governmental order (i.e. closure of indoor dining while still allowing take out) or a "more than nominal" modification of business operations due to a governmental order (i.e. 50% capacity limits in a salon).

**Disclaimer:** The information contained in these materials are for general guidance on matters of interest only and the application and impact of laws can vary widely based on the specific facts involved. Given the changing nature of laws, rules and regulations following the date of publication, there may be delays, omissions or inaccuracies in information contained. This information should not be considered legal, accounting, tax, or other professional advice and, as such, it should not be used as a substitute for consultation with professional accounting, tax, legal or other competent advisers.

## Questions about Employee Retention Credits?

We can help you through it. Reach out to our AEM Workforce Solutions team today.

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