

ABDO EICK & MEYERS^{LLP}

PPP and Employee Retention Credit:

How to Maximize Both Federal Stimulus Programs for Your Organization

January 28, 2021



A few things before we get started:



Please submit any questions in the Q & A box.
We will try to answer as many as we can.



Use the chat function to let us know about any
technology/sound issues.



We are recording this session, and it will be sent
out after the session.



Agenda

- » Employee Retention Credit Eligibility & Claim Process
- » FFCRA Credit Extension
- » Second Round of PPP Applications & Who Can Apply
- » PPP Loan Forgiveness
- » Open Q&A





Meet the Presenters



Leah Davis, CPA

President | AEM Workforce Solutions

Partner | Abdo, Eick & Meyers



Chris Powers, CPA

Partner | Abdo, Eick & Meyers

Leader of Tax Operations



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Manager | Abdo, Eick & Meyers



Employee Retention Credit

- » Payroll tax credit based on a percentage of qualified wages & employee expenses
- » Eligibility - Economic Hardship Triggers:
 - » Full or Partial Suspension of Operations due to a Government order, or
 - » Decline in gross receipts compared to 2019, by quarter

Employee Retention Credit Expansion

*Significant changes made by the
Taxpayer Certainty and Disaster Tax Relief Act of 2020*

- » *Now allowed for PPP loan borrowers – previously excluded*
- » *Extends the credit through June 30, 2021, expands eligible wages and increases the 2021 credit percentage*
- » *Taxpayers allowed to request the credit in advance for 2021*

2020 Employee Retention Credit

What's New?

- » *ONLY the eligibility criteria changed*
- » *Credit calculation and limits remain the same*
- » *Economic Hardship Triggers:*
 - » *Full or Partial Suspension of Operations due to a Government order*
 - » *Greater than 50% decline in gross receipts compared to 2019, by quarter*

2020 Employee Retention Credit

- » 50% of qualified expenses up to \$10,000 per employee – Annual credit limit of **\$5,000/employee**
- » Qualifying expenses include gross payroll and eligible health care expenses
- » Cannot take ERC on any amounts that are used for FFCRA credits or PPP loan forgiveness

2020 Employee Retention Credit

Employee Counts Matter

- » **100 or less Full-Time Employees***
ALL eligible wages/expenses paid
- » **Over 100 Full-Time Employees***
ONLY wages/expenses paid while
NOT PERFORMING SERVICES

**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.*

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

START HERE

Did your business or non-profit organization employ 100 or fewer *full-time employees* during 2019?

YES

NO

Did you pay any employees wages or qualified health coverage costs for time that the employee was not performing services?

NO

YES

Did you experience EITHER of the following economic hardships during 2020:

Did you experience EITHER of the following economic hardships during 2020:

NO

STOP HERE. You are not eligible for a 2020 Employee Retention Credit.

1) a *full or partial suspension of operations* by order of a governmental authority due to COVID-19

OR

2) a 50% or greater decline in gross receipts for any quarter in 2020, as compared to the same calendar quarter in 2019.

YES

1) a *full or partial suspension of operations* by order of a governmental authority due to COVID-19

OR

2) a 50% or greater decline in gross receipts for any quarter in 2020, as compared to the same calendar quarter in 2019.

YES

YES

*If yes to both #1 and #2, select the option that maximizes the credit

Eligible Wages: Any wages or health coverage costs paid to your employees after March 12, 2020, (*EXCLUDING WAGES PAID WITH PPP LOAN PROCEEDS AND FFCRA LEAVE CREDIT ELIGIBLE WAGES*) during the qualifying quarter until the END of the 2020 calendar quarter in which gross receipts return to 80% or more of gross receipts for the same 2019 quarter.

Credit Opportunity: Up to \$10,000 of wages and health coverage expenses per employee paid in 2020 are eligible for a 50% refundable credit, for a maximum annual per employee credit of \$5,000.

Eligible Wages: Any wages or health coverage costs paid to your employees after March 12, 2020, (*EXCLUDING WAGES PAID WITH PPP LOAN PROCEEDS AND FFCRA LEAVE CREDIT ELIGIBLE WAGES*) during the full or partial suspension of operations.

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Eligible Wages: Any wages or health coverage costs paid to your employees during the full or partial suspension of operations, for time they were not performing services, after March 12, 2020, (*EXCLUDING WAGES PAID WITH PPP LOAN PROCEEDS AND FFCRA LEAVE CREDIT ELIGIBLE WAGES*).

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*If yes to both #1 and #2, select the option that maximizes the credit

Eligible Wages: Any wages or health coverage costs paid to your employees, for time they were not performing services, after March 12, 2020, (*EXCLUDING WAGES PAID WITH PPP LOAN PROCEEDS AND FFCRA LEAVE CREDIT ELIGIBLE WAGES*) during the calendar quarter experiencing the 50% or greater decline in gross receipts and until the END of the 2020 calendar quarter in which gross receipts return to 80% or more of gross receipts for the same 2019 quarter.

Credit Opportunity: Up to \$10,000 of wages and health coverage expenses per employee paid in 2020 are eligible for a 50% refundable credit, for a maximum annual per employee credit of \$5,000.

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

Key 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 or 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 they meet either of the economic hardship tests, employers 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).

OUTSTANDING QUESTIONS:

How do employers claim the Employee Retention Credit for previously filed 2020 payroll quarters?
Will employers be allowed to amend completed PPP loan forgiveness applications with the SBA?

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.

2021 Employee Retention Credit

- » **What's New?**
 - » *Employee counts*
 - » *500 or fewer full-time employees - credit on all eligible wages/expenses paid*
 - » *Substantive changes to credit calculation and limits*
 - » *Economic Hardship Triggers:*
 - » *Full or Partial Suspension of Operations due to a Government order, or*
 - » *Greater than 20% decline in gross receipts compared to 2019, by quarter*

2021 Employee Retention Credit

- » Credit Calculation and Limits
 - » 70% of qualified expenses up to \$10,000 per employee per quarter through June 30, 2021 – Annual credit limit of **\$14,000/employee**
 - » No changes to eligible employee expenses



2020 Employee Retention Credit Strategies to Consider

- » *Maximize ERC and PPP forgiveness*
 - » *Forgiveness not yet received*
 - » *Forgiveness already received*

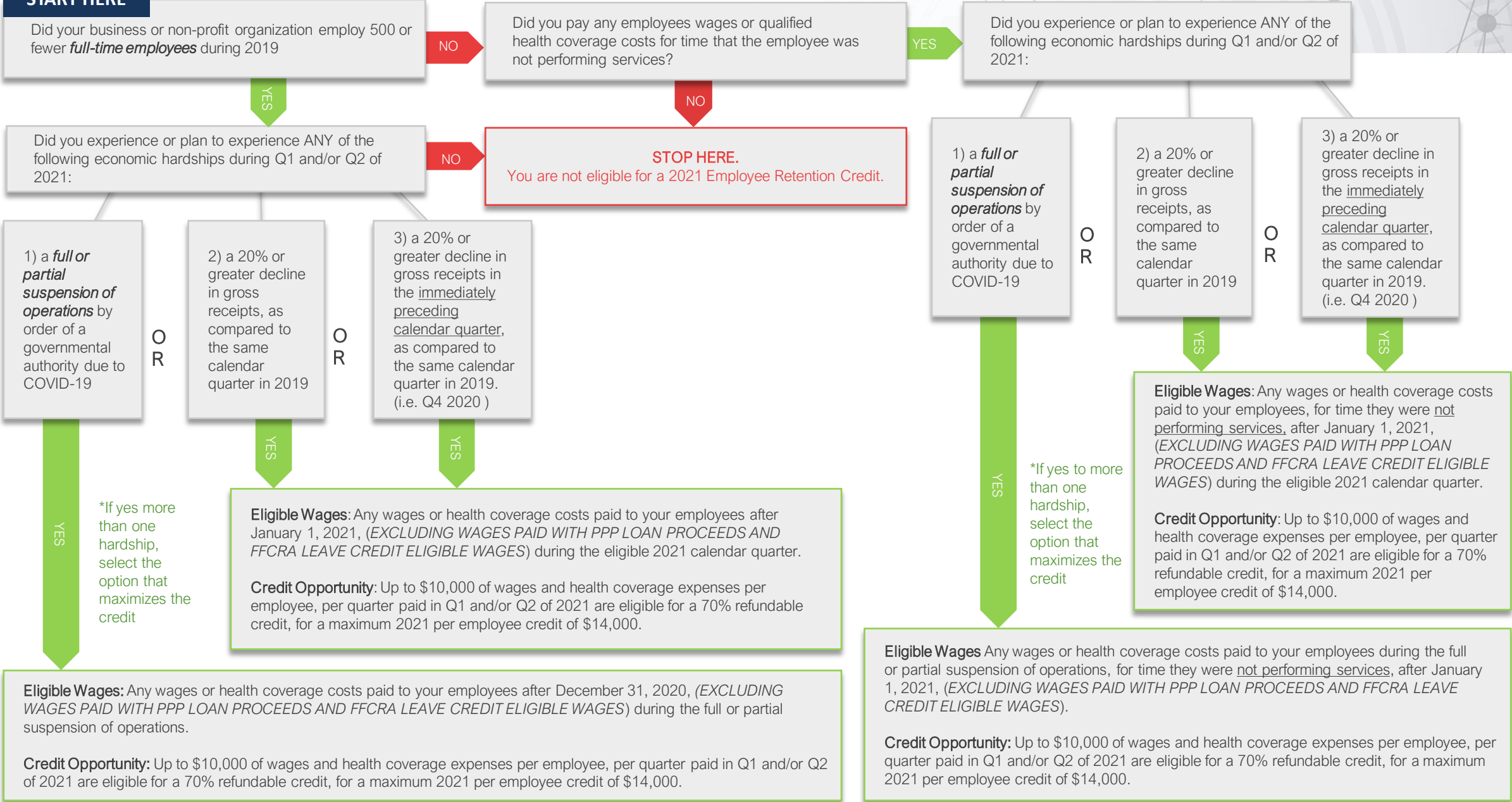
2021

Employee Retention Credit Strategies to Consider

- » *2021 Advance ERC Credits*
- » *Delay PPP 2nd draw application*
- » *Maximize non-payroll expenses
for PPP 2nd draw forgiveness*

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Employee Bonuses and/or Pay Increases: Employers are now eligible to pay employee bonuses or award compensation during Q1 and Q2 of 2021 to increase or maximize the ERC. This was not allowed under the previous ERC guidelines.

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).

Advance Credit Opportunities for 2021: For Q1 and Q2 of 2021, eligible employers may elect to receive an advance credit and payment, at the beginning of the calendar quarter, for any quarter which it expects to be eligible. This advance credit election cannot exceed 70% of the average quarterly wages paid by the employer in 2019. At the end of the quarter in which the advance credit was claimed, the employer will be required to reconcile the advance payment with the actual credit allowed and, if applicable, remit payment for any excess advance payment received.

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FFCRA – 2021 Options

- » FFCRA employer obligation ended December 31, 2020
- » Employer may elect to voluntarily roll forward any unused 2020 employee balances into 2021 to be used before March 31, 2021 – NOT required
 - » FFCRA payroll tax credits are allowed through March 31, 2021
- » Key Consideration: If employers expect to pay for COVID-19 related leave anyway, it probably makes sense to participate (some exceptions)

Questions about the Employee Retention Credit or FFCRA?

Reach out to me today!



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PPP Round 2

- » Changes from first round
 - » Smaller employers (300 or less employees)
 - » Must have experienced a 25 % decrease in gross receipts
 - » Deductible expenses and non-taxable income
 - » Smaller loan amounts
 - » Changes for farmers and ranchers



PPP Round 2

- » Changes from first round continued
 - » Changes for Accommodation and Food Services Industry
 - » 2019 or 2020 payroll costs for maximum loan amount
 - » Increase for first round due to change in guidance



PPP Loan Forgiveness

- » Additional eligible costs
 - » Includes worker protection expenditures, supplier costs, operating expenditures, and property damage
- » Change in automatic forgiveness form
- » Change in covered period

Questions about PPP applications or forgiveness?

Reach out to us today!



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Questions?

Going
Beyond the
Numbers