CARES Act - Employee Retention Credit

President Donald Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law on March 27, providing needed relief to the business community during the COVID-19 pandemic. Section 2301 of that Act outlines the provisions of the Employee Retention Credit.

WHO:

The IRS defines Eligible Employers as those that carry on a trade or business during calendar year 2020, including a tax-exempt organization that either:

- Fully or partially suspends operation during any calendar quarter in 2020 due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19; or
- Experiences a significant decline in gross receipts during the calendar quarter.

If the Eligible Employer averaged more than 100 full-time employees in 2019, qualified wages are the wages paid to an employee for time that the employee is not providing services due to the two reasons listed above. If your business is experiencing either of these conditions, check the IRS Employee Retention Credit website.

WHAT:

The Employee Retention Credit is a fully refundable tax credit for employers equal to 50% of qualified wages (including allocable qualified health plan expenses) that employers pay their employees. The Employee Retention credit applies to qualified wages paid after March 12, 2020 and before January 1, 2021. The maximum amount of qualified wages taken into account per employee for all calendar quarters is $10,000 – so the maximum credit is $5,000 per employee.

The credit is not available to employers receiving loans under the Small Business Administration's Paycheck Protection Program.

WHEN:

The Employee Retention Credit is based on wages incurred or paid from March 13, 2020, through Dec. 31, 2020.

WHERE:

The IRS has put together a FAQ page on the Employee Retention Credit.

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