



THE NEW AND IMPROVED EMPLOYEE RETENTION CREDIT

Companies that received Paycheck Protection Program (“PPP”) funding last year could obtain additional savings via the Employee Retention Credit (“ERC”) requirements. Opportunities exist both to retroactively claim payroll tax refunds in 2020 and to realize further savings prospectively in 2021. For 2021 opportunities, companies can further accelerate the receipt of savings by filing a Form 7200 with the IRS to request a refund advance payment. The ERC could provide a cash recovery of up to \$5,000 per employee for 2020 and \$14,000 for 2021. Companies should assess qualifications for a 2021 ERC in conjunction with the second draw PPP (“PPP2”) loan program, as careful planning and coordination are necessary to maximize the benefits of both programs.

KEY REQUIREMENTS AND CONCEPTS

2020

2021



REQUIREMENTS

ELIGIBLE EMPLOYER

Significant decline in gross receipts -
>50% decrease in quarterly GR's compared to same 2019 quarter; or

>20% decrease; can compare prior quarter to same 2019 quarter as alternative

Full or Partial Suspension of Operations (“FPSO”) due to COVID-related government order

Full or Partial Suspension of Operations (“FPSO”) due to COVID-related government order

QUALIFIED WAGES

Up to **\$10K** total of wages + **employer health benefits**

Up to **\$10K** per quarter of wages + **health benefits**

Under **100** employees in 2019?

All wages paid while “Eligible Employer”

Under **500** employees in 2019?

All wages paid while “Eligible Employer”

Over **100** employees in 2019?

Only employees “not providing services” due to “Eligible Employer” status

Over **500** employees in 2019?

Only employees “not providing services” due to “Eligible Employer” status

2020

2021



BENEFIT

CREDIT AMOUNT

50% of qualified wages

70% of qualified wages



OTHER CONSIDERATIONS

PPP INTERPLAY

Under CARES Act, **PPP loan recipients cannot claim ERC.** But...

...PPP recipients can claim ERC for 2020 and 2021, but cannot use same expenses for ERC and PPP loan forgiveness

WHAT SHOULD BE CONSIDERED?

- For any quarter in 2020, were gross receipts less than 50 percent of the same quarter's gross receipts in 2019? If so, by what quarter (if any) did quarterly gross receipts return to at least 80 percent of 2019 gross receipts when compared to the same 2019 quarter? Were Q4 2020 gross receipts less than 80 percent of Q4 2019 gross receipts?
- Did my company experience a "full or partial suspension of operations?" When did the "full or partial suspension" subside?
- When did my company receive its 2020 PPP loan? What wages were factored into the PPP loan forgiveness calculation? Is my company planning to apply for a second draw PPP loan in 2021?

CONTACT OUR TEAM OF PROFESSIONALS TO LEARN MORE



Tomas Nally
Managing Director
+1 713 547 3793
tnally@alvarezandmarsal.com



Kathleen King
Managing Director
+1 202 688 4213
kking@alvarezandmarsal.com



Stephanie Doughty
Senior Director
+1 202 836 2622
sdoughty@alvarezandmarsal.com

ABOUT ALVAREZ & MARSAL TAXAND

Alvarez & Marsal Taxand, an affiliate of Alvarez & Marsal (A&M), a leading global professional services firm, is an independent tax group made up of experienced tax professionals dedicated to providing customized tax advice to clients and investors across a broad range of industries. Its professionals extend A&M's commitment to offering clients a choice in advisors who are free from audit-based conflicts of interest, and bring an unyielding commitment to delivering responsive client service. A&M Taxand has offices in major metropolitan markets throughout the U.S., and serves the U.K. from its base in London.

Alvarez & Marsal Taxand is a founder of Taxand, the world's largest independent tax organization, which provides high quality, integrated tax advice worldwide. Taxand professionals, including almost 550 partners and more than 2,500 advisors in 50 countries, grasp both the fine points of tax and the broader strategic implications, helping you mitigate risk, manage your tax burden and drive the performance of your business.

To learn more, visit: AlvarezandMarsal.com or Taxand.com

Follow us on:



© Copyright 2021 Alvarez & Marsal Holdings, LLC.
All Rights Reserved. 124705

ALVAREZ & MARSAL

⌘ TAXAND