Tax Savings for Retaining Employees During COVID-19 Crisis

GRASSI & CO Robert L. Tobey (May 12, 2020)

The Coronanavirus Aid, Relief, and Economic Security (CARES) Act incentivizes employers to keep employees on the payroll. It does this by providing a refundable Employee Retention Credit (ERC) equal to 50% of qualified wages paid by eligible employers during the COVID-19 crisis.

The IRS has issued additional guidance on the ERC to help employers determine their eligibility and take advantage of this valuable tax benefit.

In this guidance, the main areas addressed are:

Eligible employers are those who are or were in business during 2020 and either fully or partially suspend operations due to the COVID-19 pandemic or experience a significant decline in gross receipts during a calendar quarter.
The IRS defines “significant decline in gross receipts” as a 50% or greater drop in gross receipts in a 2020 calendar quarter as compared to the same calendar quarter in 2019. The decline is considered

to have ended when the employer's quarterly 2020 gross receipts are greater than 80% of its gross receipts for the same 2019 calendar quarter.
The credit applies to qualified wages paid by an eligible employer after March 12, 2020, and before January 1, 2021.
The maximum amount of credit-eligible qualified wages per employee is $10,000 (i.e. for all quarters, the maximum per employee credit is $5,000).
Qualified wages include wages, compensation and qualified health plan expenses.
Wages that are used to claim the refundable tax credit under the Families First Coronavirus Response Act to cover the costs of expanded paid sick leave and FMLA benefits cannot also be used in calculating the ERC.
The credit will be claimed on Form 941 in the employer's quarterly federal tax return. It is allowed against the employer portion of social security taxes under IRC §3111(a).

Click here [2] to read the full Treasury FAQ.

For more information on the tax advantages included in the CARES Act and using them to help your business recover from COVID-19 losses, please contact your Grassi advisor or Robert Tobey, Tax Partner, at rtobey@grassicpas.com.

Source URL: http://www.iitaly.org/magazine/article/tax-savings-retaining-employees-during-covid-19-crisis-0

Links
[1] http://www.iitaly.org/files/grassicovidpng
[2] https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act