



# Employee Retention Tax Credit

The COVID-19 Employee Retention Credit is a refundable payroll tax credit intended to assist businesses impacted by the coronavirus. Signed into law on December 27, 2020, the Covid-19 relief bill contains a favorable update to the Employee Retention Credit (“ERC”). The ERC was one of the more successful components of the CARES Act, but there are several significant updates to the credit that are even more favorable for qualified businesses.

## Eligible Employers



1. Federal, state and local government employers are ineligible for the credit except for:
  - Public colleges
  - Organizations providing medical or hospital care
  - Certain organizations chartered by Congress, Fannie Mae, FDIC, Federal Home Loan Banks, and Federal Credit Unions.
2. Tax-exempt §501(c) organizations and entities exempt from federal tax under §501(a)
  - Churches and religious organizations, charitable organizations, social clubs, labor organizations and business leagues, Employee Stock Ownership (ESOP) organizations, etc.
3. For-profit businesses of all sizes can qualify, small and large employers alike. Restaurants are great contenders for this tax credit.

A few of the more prominent changes involves expanding the availability of the Employee Retention Credit (ERC), increasing the refundable payroll tax credit up to \$33,000 per qualified employee, and including businesses who received a Paycheck Protection Loan (PPP). Previously, a business could not claim both.



The Employee Retention Credit is available to employers, including tax-exempt and certain government organizations, that satisfy **EITHER** of the following:

- ◆ Operations that were fully or partially suspended due to orders from a governmental authority; or
- ◆ Has gross receipts for at least one calendar quarter <50% in 2020 (or <20% in 2021) of the gross receipts as compared to 2019.



Each of the requirements must satisfy EACH quarter. Watch this [video](#) of Michael St. Angelo, Director of Strategic Partnerships at CTI, LLC, explain this Credit in more detail.



Need some advice? CTI of Sacramento, a tax consultancy firm specializing in incentives that provide direct financial savings to businesses, has the expert tax professionals to identify all material programs and maximize benefits by applying best practices that only a specialty tax firm can deliver.

Visit [ctilc.com](http://ctilc.com) or contact [Michael St. Angelo](mailto:mstangelo@ctilc.com) at [mstangelo@ctilc.com](mailto:mstangelo@ctilc.com) or call (916) 904-0150 for more information.



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