represented by:
Essential Partners LLC -Norman Simon
nsimon@URessential.com
215.542.1525/(o)/215.356.9779(c)

BottomLine CONCEPTS
We audit for refunds & negotiate for savings

ERC FAQ's

ERC BASICS:

What is ERC?
ERC is a stimulus program designed to help those businesses that were able to retain their employees during the Covid-19 pandemic. Established by the CARES Act, it is a refundable tax credit - a grant, not a loan - that you can claim for your business. The ERC is available to both small and mid-sized businesses. It is based on qualified wages and healthcare paid to employees.

When does ERC end?
Available for 2020 and 3 quarters of 2021. ERC is claimed on an amended quarterly payroll tax return (Form 941X). Once the IRS processes Form 941X, a check is issued to the taxpayer for the credit amount, plus interest. The statute of limitations for filing amended payroll tax returns is three years from the due date of the return, meaning to apply for the Employee Retention Tax Credit for the 2nd quarter of 2020, the amended return needs to be submitted by July 2023. So, there's still time to apply for the credit.

QUALIFICATIONS:

How do I qualify?
There are two ways to qualify;

- FULL OR PARTIAL SUSPENSION OF BUSINESS OPERATIONS A government authority required partial or full shutdown of your business during 2020 or 2021. This includes your operations being limited by commerce, inability to travel, or restrictions of group meetings.
- GROSS RECEIPTS REDUCTION Gross receipt reduction criteria are different for 2020 and 2021 but are measured against the current quarter as compared to 2019 pre-COVID amounts.

No revenue decline, do I still qualify?
There are two ways to qualify; EITHER a change in your operations OR a revenue decline. You do not need a revenue decline to qualify, in fact many businesses had a revenue increase and still qualified.

I took PPP, do I still qualify?
Under section 206(c) of the Taxpayer Certainty and Disaster Tax Relief Act of 2020, an employer that is eligible for the employee retention credit (ERC) can claim the ERC even if the employer has received a Small Business Interruption Loan under the Paycheck Protection Program (PPP).

What qualifies as operational changes?
Here are some impacts to consider that qualify your business for the Employee Retention Credit:

- Change in business hours
- Partial or full suspension of your operations
- Shutdowns of your supply chain or vendors
- Reduction in services offered
- Reduction in workforce or employee workloads
- A disruption in your business (division or department closures)
- Inability to visit a client's job site
- Suppliers were unable to make deliveries of critical goods or materials
- Additional spacing requirements for employees and customers due to social distancing
- Change in job roles/functions
- Tasks or work that couldn't be done from home or while transitioning to remote work conditions
- Lack of Travel
- Lack of Group Meetings

TAXES:

Is refund considered taxable income?
The refund is a deduction in the payroll expense for the period that the credit is for. The interest that the IRS pays on the credit is considered taxable income in the period that the payment is received.

Is the commission paid to BLC a tax deductible expense?
Yes, for example if a company's ERC refund was $100 and BLC commission was $30 then the company would lose taxable expense deductions for the net $70 and the net effect would be an increase to its taxable income.

Is it Taxable?
Yes, it's a professional fees expense.

Will I get audited?
As with any fillings that are done with the IRS there is always a chance that you can get audited, however with the volume that the IRS is processing and their short staff levels it is highly unlikely, the audit rate for employment related tax returns for the last year that the data was available for was under 3 per 10,000 returns. In the unlikely event that you do get audited, while we can't represent you we will assist by providing all of the supporting documentation to back up the work that we did.

How is PPP subtracted or accounted for?
We can't use wages covered by PPP loans and apply them to ERC. There is a "no double-dipping" rule governing the interplay of an employer's forgiven PPP loan and its eligibility for ERC.