



How to Unlock the Employer Retention Credit (ERC) for Your Business or Nonprofit

How to Unlock the Employer Retention Credit (ERC) for Your Business or Nonprofit

Throughout the past year, numerous laws and regulations have been enacted to support business and nonprofit organizations. The CARES Act, Coronavirus Relief Package, and the most recent American Rescue Plan Act (ARPA) provides unique relief for employers through the Paycheck Protection Plan (PPP) and through the Employee Retention Credit (ERC). These programs can be a lifesaver for your business or nonprofit and keep people employed in a time of great uncertainty. They can also, however, be intimidating and require calculations and reporting that could confuse even the most experienced professionals. Kruggel Lawton CPAs are here to make this easier. We want you to be able to focus on your business and your mission, and not have to worry about the intricate details of tax laws and regulations.

Most recently, ARPA specified new regulations related to the employee retention credit that could provide financial benefits to your business and nonprofit organization. Most specifically, the Employee Retention

Credit (ERC) was extended to from June 30 until December 31, 2021. The ARPA continues the ERC rate of credit at 70% for this extended period of time. It also continues to allow for up to \$10,000 in qualified wages for any calendar quarter. Taking into account the Consolidated Appropriations Act extension and the ARPA extension, this means an employer can potentially have up to \$40,000 in qualified wages per employee through 2021.

Determining your ERC requires producing several figures and some documentation. We have made the process slightly easier for you by creating a worksheet to help you collect the information you need in the final page of this document. To complete the worksheet and unlock the ERC, you will need to collect the following information.

- Data on Your Workforce
- PPP1 and PPP2 Application Information
- Payroll Provider Information
- Quarterly 941s
- Detailed Payroll Reports (By Quarter)
- Draft 941x's for amended returns claiming ERC

Additionally, you will need to collect financial information related to the gross receipts from your business or nonprofit organization from April 1, 2020 through December 31, 2021.

Gross Receipts FOR-PROFIT Entity

Total Sales (Less Returns and Allowances)

Plus: Investment Income

Interest

- Dividends
- Rents
- Annuities
- Royalties

Less: Adjusted Basis in Assets Sold

Gross Receipts NONPROFIT Entity

Total Revenue (Less Returns and Allowances)

Plus: Investment Income and Other Income

- Interest
- Rent
- Royalties
- Gifts
- Grants
- Annuities
- Contributions
- Member Dues



For the 2020 ERC, your business or nonprofit will need to show a significant decline in gross receipts beginning April 1, 2020 and ending January 1, 2021. Your company or

nonprofit will be eligible for a credit during the quarter you return to 80%+ revenue levels. In the example below, this company is eligible for ERC through December 31, 2020

	Jan-March	April-June	July-Sept	Oct-Dec
2019	\$200,000	\$250,000	\$290,000	\$210,000
2020	\$180,000	\$100,000	\$140,000	\$180,000
	90%	40%	48%	86%

For the 2020 ERC, your business or nonprofit will need to show a significant decline in gross receipts beginning April 1, 2020 and ending October 1, 2020. Your company or

nonprofit will be eligible for a credit during the quarter you return to 80%+ revenue levels. In the example below, this company is eligible for ERC through September 30, 2020.

	Jan-March	April-June	July-Sept	Oct-Dec
2019	\$200,000	\$250,000	\$290,000	\$210,000
2020	\$180,000	\$100,000	\$140,000	\$180,000
	90%	40%	86%	86%

Employee Retention Credit Worksheet

1. Have you applied for PPP1 forgiveness?
 - **If yes**, did you use just wages for forgiveness?
 - **If no**, please accumulate the following expenses during the covered period. please provide support AND expense subtotals for the 24 week covered period):
 - Rent (non-related party) \$ _____
 - Mortgage interest (if related party) \$ _____
 - Utilities \$ _____
 - Health/vision/dental insurance paid by company \$ _____
 - State Unemployment costs \$ _____

2. Were you subject to government mandated shut down (full or partial)? Yes or No
• **If yes**, what were the exact dates of the mandate? ____/____/____

3. A full-time employee is an employee who had an average of at least 30 hours per week or 130 hours per month in any month in 2019.
 - Do you have fewer than 500 FTE employees? Yes or No
 - Do you have fewer than 100 FTE employees? Yes or No
 - **If yes**, ERC applies to all employees. Yes or No
 - **If no**, did you pay employees 101 - 500 to stay home during the pandemic? Yes or No

4. Do you work with a payroll provider? Yes or No
• **If yes**, list the name of the payroll provider. _____

5. Did you apply for PPP2? Yes or No
 - **If so**, how much did you receive? \$ _____
 - What date was your PPP2 funded? ____/____/____

6. Please provide the following additional information.
 - Quarterly 941s Attached
 - Detailed Payroll Reports By Quarter) Attached
 - Draft 941 x's for amended returns claiming ERC Attached



Kruggel Lawton CPAs have experienced accounting professionals standing by to help you through this process. We are open to address all of your questions related to PPP and ERC.

Contact us if you have more questions.