



Tax Benefits for Small Businesses

IRS Stakeholder Liaison





Employee Retention Credit



GET TAX RELIEF FOR KEEPING EMPLOYEES ON PAYROLL

Learn about New
Employer Tax
Credits

[IRS.gov/coronavirus](https://www.irs.gov/coronavirus)

Share information with clients,
associates, family and friends





What is the Employee Retention Credit?

A fully refundable tax credit for employers equal to 50 percent of qualified wages (including allocable qualified health plan expenses) that Eligible Employers pay their employees.



Eligible Employer

Carry on a trade or business in 2020 that either:

1. Was fully or partially suspended by government order due to COVID-19
2. Experiences a significant decline in gross receipts

Not eligible:

- Governmental employers
- Self-employed individuals for own services and earnings



Operations fully or partially suspended

Trade or business operations fully or partially suspended during any calendar quarter in 2020 due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19



Significant Decline in gross receipts

- 1st quarter in which gross receipts for a calendar quarter in 2020 are less than 50% of its gross receipts for the same calendar quarter in 2019
- Ends on the first day of the first calendar quarter following the calendar quarter in which gross receipts are more than of 80% of its gross receipts for the same calendar quarter in 2019.



Qualified Wages

- Paid to employees after March 12, 2020, and before January 1, 2021.
- Depends on the average number of full-time employees employed during 2019.
- Includes qualified health plan costs that are allocable to wages,



Qualified Wages

Wages based on the average number of a business's employees in 2019.

Employers with less than 100 FT employees:

- The credit is based on wages paid to *all* employees, regardless of whether they provided services.

Employers with more than 100 FT employees:

- The credit is allowed *only* for wages paid to employees for the time when they are not providing services .



Calculate the Credit

- Equal to 50% of qualified wages per employee
- Maximum amount of qualified wages per employee for all calendar quarters is \$10,000.
- Maximum credit per employee is \$5000



Claiming the credit

- Report qualified wages and credits for each calendar quarter on federal employment tax returns.
- Tax credit may be claimed against the employer portion of certain employment taxes.
- If credit exceeds payroll deposit employer may apply for advance refund per Form 7200, Advance Payment of Employer Credits Due To COVID-19.



Impact of other credit provisions

- Small Business Loan – Paycheck Protection Program (PPP)
- Paid Family and Sick Leave Credit – Families First
- Work Opportunity Credit
- Section 45S



Resources

[FAQs: Employee Retention Credit under the CARES Act](#)

[IR-2020-62, March 31, 2020 IRS: Employee Retention Credit available for many businesses financially impacted by COVID-19](#)

[Form 7200, Advance Payment of Employer Credits Due to COVID-19](#)

[Relief from Penalty for Failure to Deposit Employment Taxes](#)
[Publication 5419](#)



Families First Coronavirus Response Act (FFCRA)

The **Family First Coronavirus Response Act** (FFCRA)



Families First Coronavirus Response Act

- **Emergency Paid Sick Leave Act (EPSLA)**
- **Emergency Family and Medical Leave Expansion Act**
- **Tax Credits for paid sick leave**
- **Tax Credits for paid family and medical leave**



Emergency Paid Sick Leave

Employees unable to work or telework may be eligible to receive:

Up to 80 hours paid sick leave at full rate of pay

\$511 per day, Maximum \$5110 for an employee unable to work because employee:

- is under a Federal, State, or local quarantine or isolation order related to COVID-19;**
- has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;**
- is experiencing symptoms of COVID-19 and seeking a medical diagnosis;**



Emergency Paid Sick Leave cont'd

Employees unable to work or telework may be eligible to receive:

Up to paid 80 hours sick leave at 2/3 rate of pay.

Up to \$200 daily, \$2000 maximum if employee is:

- Caring for an individual under Federal, State, or local quarantine or isolation order or is advised to self-quarantine**
- Caring for child and school or place of care for the child has been closed, or the child care provider is unavailable**
- Is experiencing similar condition specified by the U.S. Department of Health and Human Services.**



Emergency paid family and Medical leave

Employee who is unable to work (or telework) to care for a child whose school or place of care is closed, or care provider is unavailable due to COVID-19.

- Paid family and medical leave equal to two-thirds of the employee's regular pay
- Up to \$200 per day and \$10,000 in the aggregate
- Up to 10 weeks of qualifying leave

*

Individual must be employed for at least 30-calendar days



Tax Credits for Small and Midsize Businesses

- **Employer Refundable Sick Leave Tax Credit**
- **Employer Refundable Family Leave Tax Credit**



Exemptions from FFCRA

- **Businesses with fewer than 50 employees from childcare leave**
- **Health care providers or emergency responders**

[Families First Coronavirus Response Act: Questions and Answers](#)



How to claim the credit

Report on quarterly 941

- Wages
- Qualified Health care expense
- Eligible Medicare tax

First reduce federal employment tax deposits

To claim the advanced credit, file Form 7200



Recordkeeping

Maintain:

- Records and documents
- Form 941, Employer's Quarterly Federal Tax Returns
- Form 7200, Advance Payment of Employer Credits
Due to COVID-19



Resources

- [Coronavirus Tax Relief | Internal Revenue Service](#)
- [COVID-19-Related Tax Credits for Required Paid Leave Provided by Small and Midsize Businesses FAQs](#)
- <http://www.irs.gov/coronavirus>
- <https://home.treasury.gov/coronavirus>
- www.dol.gov/agencies
- [DOL Families First Coronavirus Response Act: Questions and Answers](#)



Tax Relief for Individuals

- **2020 recovery rebates for individuals**
- **Special rules for use of retirement funds - for qualified individuals**
- **Temporary waiver of required minimum distribution rules for certain retirement plans and accounts**
- **Allowance of partial above the line deduction for charitable contributions**
- **Modification of limitations on charitable contributions during 2020**
- **www.irs.gov/coronavirus**



Get Ready to File

- **START WITH IRS.GOV WHEN YOU NEED HELP**
- **TAKE ADVANTAGE OF E-FILE**
- **2020 ECONOMIC IMPACT PAYMENTS (EIP)**
- **UNEMPLOYMENT COMPENSATION**
- **REVIEW YOUR ELIGIBILITY FOR CREDITS AND DEDUCTIONS**
- **GET READY FOR YOUR REFUND**
- **REFUND INTEREST**
- **ADJUST YOUR WITHHOLDING**
- **PROTECT YOUR DATA**



Tax Security Awareness – Economic Impact Payments

**IRS will not call to
request any personal
or financial information
for you to get an economic
impact payment.
If you get such a call
HANG UP!**

See official details at:



www.irs.gov/coronavirus



Tax Security Awareness



It's the most wonderful
time of the year
until your
small business falls
victim to a cyberattack.



National Tax Security Awareness Week



Thank You

Lisa.A.Novack@irs.gov