

HR Tracker, ¶46,936, New Employee Retention Credit helps employers keep employees on payroll — AGENCY GUIDANCE, (May 12, 2020)

The IRS provided guidance to employers affected by COVID-19 about the Employee Retention Credit. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) encourages businesses to keep employees on their payroll by providing them an Employee Retention Credit. Employers that have experienced an economic hardship due to COVID-19 may claim this credit for wages paid after March 12, 2020, and before January 1, 2021, the guidance notes. This includes tax-exempt organizations, employers with suspended operations due to a government order related to COVID-19 and those that have experienced a significant decline in gross receipts.

Amount of credit. The tax credit amount is 50-percent of up to \$10,000 in qualified wages paid to an employee. The employer's maximum credit for qualified wages paid to any employee is \$5,000. Further, qualified wages include the cost of employer-provided health care. Moreover, the amount of qualified wages for which an eligible employer may claim the Employee Retention Credit doesn't include the amount of qualified sick and family leave wages for which the employer received tax credits under the Families First Coronavirus Response Act (FFCRA). Qualified wages vary based on the average number of the employer's full-time employees in 2019. If the employer had 100 or fewer employees on average in 2019, the credit would be based on wages paid to all employees, regardless if they worked or not. If the employer had more than 100 employees on average in 2019, the credit would be allowed only for wages paid to employees for time they did not work. Additionally, in each case, the wages that qualify would be wages paid for a calendar quarter in which the employer experiences an economic hardship.

Claiming the credit. To claim the credit, employers must report their total qualified wages and the related health insurance costs for each quarter on their quarterly employment tax returns, usually Form 941, Employer's Quarterly Federal Tax Return, beginning with the second quarter of 2020. Additionally, if employers do not have enough federal employment taxes to cover the amount of the credit, after they have deferred deposits of employer social security taxes, they may request an advance payment of the credit from the IRS by submitting Form 7200, Advance Payment of Employer Credits Due to COVID-19.

Additional information. Finally, more information regarding this can be found in the following sites: Coronavirus Tax Relief, Employee Retention Credit FAQs.