



**BARNES DENNIG**  
Accounting • Tax • Business Insight

# FFCRA & ERTC – What You Need to Know

An Exclusive Event for ACI

March 23, 2021



# Meet Barnes Dennig

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- Regional Accounting Firm offering accounting, tax, advisory, and business consulting services
- Locations in Ohio, Kentucky, and Indiana
- 180 employees | 80 CPAs
- World-class Net Promoter Score (NPS) of 85 (3.5x industry average)
- Clearly Rated Best of Accounting 2019 and 2020
- Forbes – America’s Best Tax and Accounting Firms 2021
- Inside Public Accounting’s Top 200 Firms

# Meet the Speakers

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**Scott Cress** is one of the leaders of the COVID-19 Advisory Services team, providing strategy and insight that helps clients navigate the best path forward. He also helps lead the firm's transaction-based engagements which include valuation services, M&A engagements, and succession planning to name a few. He has over 22 years of experience both in and out of public accounting and receives advanced training to help middle-market clients traverse an ever-changing business environment to make informed decisions that align with their long-term strategy.



**Andy Bertke** is one of the leaders of the COVID-19 Advisory Services team, providing strategy and insight that helps clients navigate the best path forward. With more than 30 years experience in public accounting, he leads the tax consulting practice at the firm, and uses his business and analytical skills combined with tax knowledge to provide clients with sound tax planning ideas. As a member of the AICPA's Tax Section, he keeps a laser-eye focus on the ever-changing federal, state, and local tax laws.

# Barnes Dennig COVID-19 Advisory Team

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- 90+ blog posts and multiple webinars
- Online Quick Tests for PPP Loan Forgiveness, 2<sup>nd</sup> Draw PPP Eligibility, and ERTC
- More than 400 companies and organizations helped to date
- \$65 million+ in PPP loan forgiveness engagements
- To date, not a single PPP loan where forgiveness was denied
- To date, no adjustments on PPP loan forgiveness calculations
- American Institute of Certified Public Accountants (AICPA) changed methodologies on the online PPP loan portal based on our recommendations
- 2<sup>nd</sup> draw PPP loans already in the queue

# The Consolidated Appropriations Act, 2021 (CAA)

## Extension of the FFCRA and Employee Retention Credits

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On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Non-profits and Venues Act became law as a part of the Consolidated Appropriations Act, 2021.

Today, we'll review key provisions of the Families First Coronavirus Relief Act (FFCRA) Payroll Tax credit and the Employee Retention Credit after enactment of this legislation.

# Agenda

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1. Introduction

2. Families First Coronavirus Relief Act

Scott Cress

3. Does My Business Qualify for the Employee Retention Tax Credit?

Andy Bertke

4. How do I Apply for the Employee Retention Tax Credit?

Andy Bertke

5. Questions

# Families First Coronavirus Relief Act (FFCRA) payroll tax credit

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- Tax credit only eligible to employers with less than 500 employees who provide emergency paid sick leave or family and medical leave
  - Taxpayers in a controlled group count as one employer
  - Only consider number of employees on April 1, 2020
- Tax credit is equal to 100% of the amount the employer pays in emergency paid sick leave or family and medical leave
  - Includes portion of health care plan coverage

# FFCRA payroll tax credit

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What is the amount of credit per employee?

Employee cannot work remotely and takes emergency paid sick leave

AND

Employee is subject to a government quarantine or isolation order due to COVID-19

OR

Employee has been advised by health care provider to quarantine due to COVID-19

OR

Employee is experiencing symptoms of COVID-19 and seeking medical diagnosis

CREDIT EQUALS

Employee's regular rate of pay, up to \$511 per day, for a maximum of 10 days of \$5,110 per employee

# FFCRA payroll tax credit

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What is the amount of credit per employee?

Employee cannot work remotely and takes  
emergency paid sick leave

AND

Employee is caring for an individual  
who is subject to quarantine order from  
government or health care provider due  
to COVID-19

OR

Employee is caring for a  
child whose school or  
place of care is closed due  
to COVID-19

**CREDIT EQUALS**

2/3 of employee's  
regular rate of pay, up  
to \$200 per day, for a  
maximum of 10 days of  
\$2,000 per employee

# FFCRA payroll tax credit

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What is the amount of credit per employee?

Employee cannot work remotely and takes emergency family and medical leave

**AND**

Employee is caring for a child whose school or place of care is closed due to COVID-19

**CREDIT EQUALS**

2/3 of employee's regular rate of pay, up to \$200 per day, for a maximum of 10 weeks of \$10,000 per employee

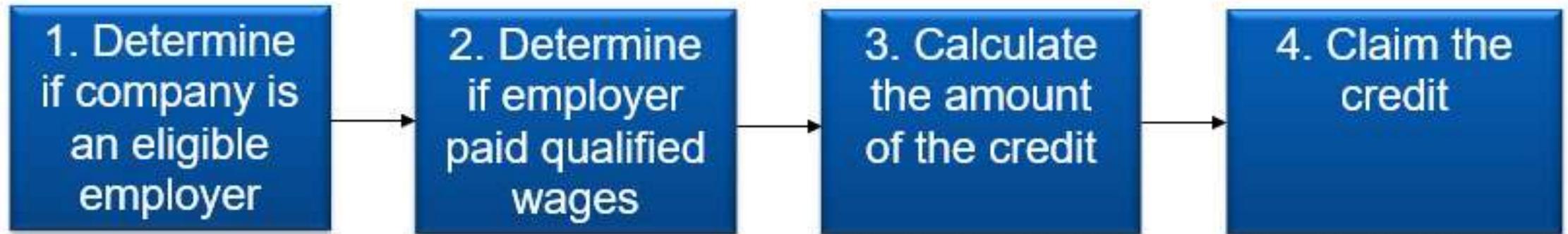
# FFCRA payroll tax credit

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- Employee can take emergency paid sick leave and emergency paid family and medical leave so an employer can receive up to \$12,000 in tax credits
- Not *required* from 1/1/21-9/30
- Support for tax credit – Employee must provide:
  - Employee's name
  - Date(s) for leave
  - COVID-19 reason for leave
  - Statement from the employee unable to work or telework due to COVID-19 reason
  - Government entity or health care provider who issued quarantine order for employee or individual employee is caring for **OR** proof of school or day care closure with statement from employee stating no one else is available for childcare

# Does My Business Qualify for the Employee Retention Tax Credit?

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# Step 1: Who is an eligible employer for 2020?

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- Fully or partially suspended operations during any calendar quarter in 2020 due to orders from an appropriate government authority limiting commerce, travel or group meetings due to COVID 19, **OR**
- 2020 Gross Receipts are less than 50% of gross receipts compared to same calendar quarter in 2019
  
- Other considerations:
  - Cannot double dip with FFCRA, and other payroll tax credits (ex.- R&D and WOTC)
  - Controlled groups are considered a single employer
- CAA Update: An employer is eligible even if it had received a PPP loan.
  - Cannot double dip with the PPP so any wages for which a taxpayer claims an ERC are NOT eligible to be forgiven as part of the PPP process
  - Can elect to not include wages for ERC to have them qualify for PPP forgiveness
  - Interplay of calculations for PPP loan forgiveness and employers that can now claim ERC

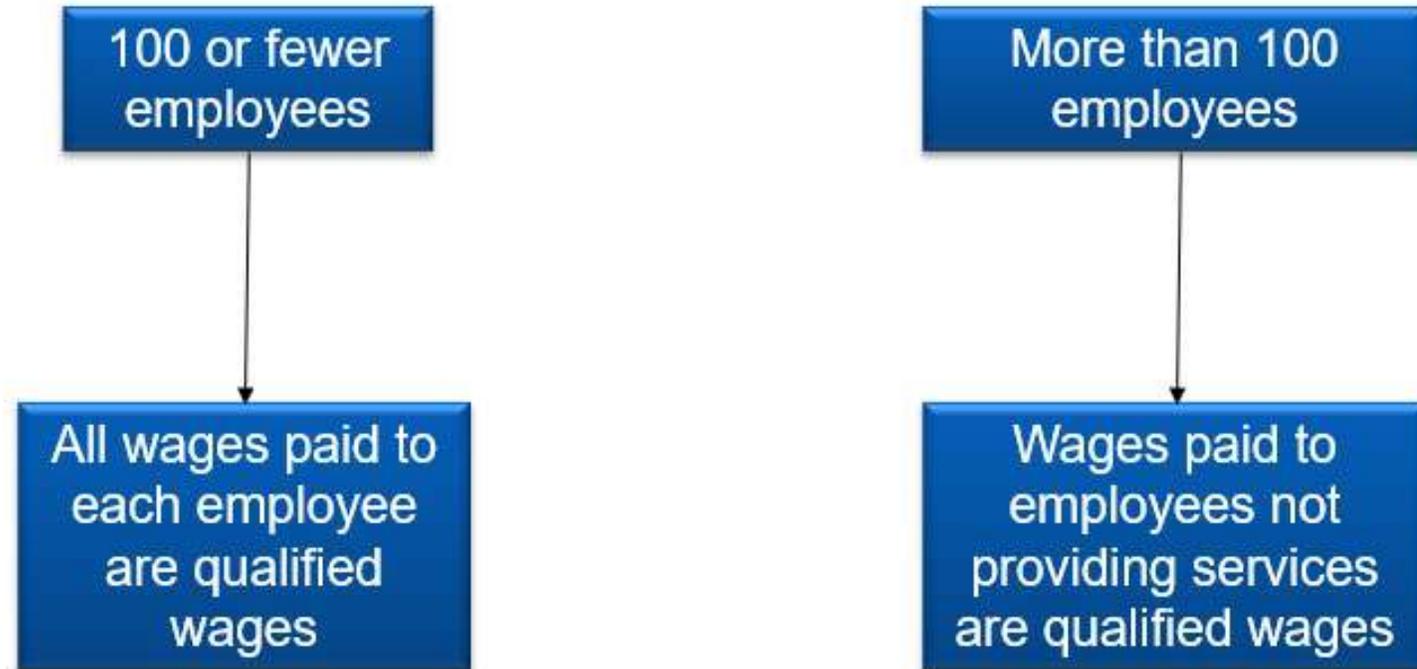
# Fully or Partially Suspended Operations

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- Shutdowns are possible for Essential Businesses, if
  - its suppliers cannot deliver critical supplies or materials to the employer if the supplier's operations are suspended by a government order and the Essential Business is not able to perform its operations.
  - the employer operates both essential and non-essential businesses and the non-essential business's operations are fully or partially suspended, and that business(s) is more than a nominal portions of the employer.
  - the employer operates in multiple locations and the operations are fully or partially suspended in a jurisdiction where the employer is operating.

## Step 2 – Did the employer pay qualified wages?

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## Step 3 – Calculate the Credit

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- Qualified wages must be paid after March 12, 2020 and before January 1, 2021
- Health care plan expenses will be considered qualified wages
  - This includes pre-tax health care expense paid for furloughed employees
- Maximum of \$10,000 qualified wages per employee for a potential \$5,000 credit per employee for all of 2020

$$\text{Qualified Wages} \times 50\% = \text{Employee Retention Credit}$$

- Timeframe?
  - If business qualified due to shutdown, only count wages paid while the business was shut down for an employer with over 100 FTEs, entire quarter for 100 or less FTEs.
  - If business qualified due to reduction in gross receipts, count wages paid in quarter where reduction occurred. Wages continue to be eligible until the END of the quarter in which gross receipts are at least 80% of the same quarter in 2019.

## Step 4 – Claim the Credit

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- After calculations are prepared a deliverable showing eligible wages and the credit amount are provided to the payroll tax return preparer,
- Employers, or their payroll provider use Form 941X to claim the refundable credit.

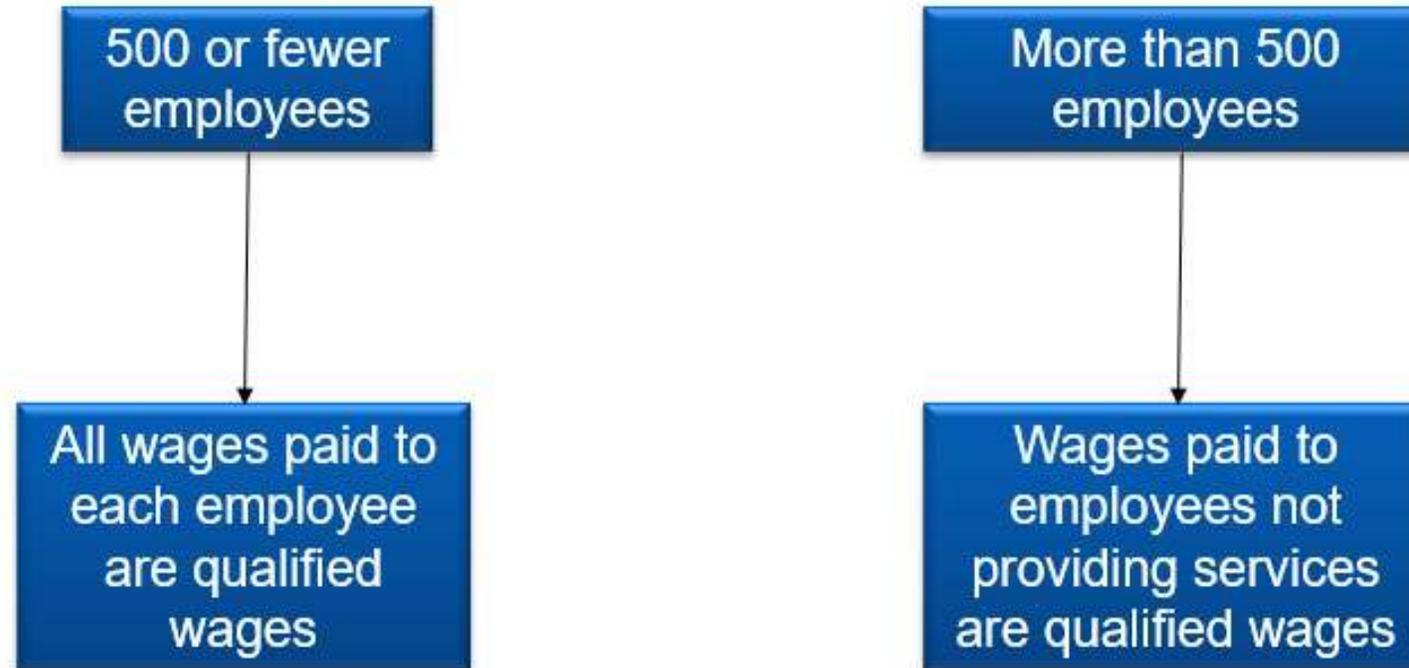
# Step 1- ERC 2021- Who is an eligible employer?

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- Fully or partially suspended operations during any quarter in 2021 due to orders from an appropriate government authority limiting commerce, travel or group meetings due to COVID 19, **OR**
- **20%** reduction in gross receipts compared to same calendar quarter in 2019
  - Also, an option to compare immediately preceding calendar quarter to the corresponding quarter in 2019. Ex. If Q1 2021 doesn't meet test, comparing Q4 2020 with Q4 of 2019. If there is a 20% decrease in gross receipts then Q1 2021 would be eligible.
- Other considerations
  - Cannot double dip with FFCRA and other payroll tax credit
  - Cannot double dip with PPP loan forgiveness funds used for payroll
  - Controlled groups are considered a single employer

# Step 2 - ERC 2021 – Did the employer pay qualified wages?

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## Step 3 - ERC 2021 – Calculate the Credit

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- Qualified wages between January 1, 2021- December 31, 2021
  - If business qualified due to shutdown, only count wages paid when the business was shut down for employers with over 500 FTEs
  - If business qualified due to reduction in gross receipts, count wages paid in quarter where reduction occurred. Wages continue to be eligible until the END of the quarter in which gross receipts are at least 80% of the same quarter in 2019.
- Health care plan expenses will be considered qualified wages
  - This includes health care expense paid for furloughed employees
- Maximum of \$10,000 qualified wages per employee PER QUARTER for a potential \$28,000 credit per employee for 2021

$$\begin{array}{ccc} \boxed{\text{Qualified Wages}} & \times & \boxed{70\%} & = & \boxed{\text{Employee Retention Credit}} \end{array}$$

## Step 4 - ERC 2021 – Claiming the Credit

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- If an employer has less than 500 FTEs, it can elect to receive an advance payment of the ERC for that quarter.
  - Cannot exceed 70% of the average quarterly wages paid by employer in 2019
- If more than 500 FTEs
  - Employers could utilize credit on quarterly tax return – Form 941 to reduce tax due
  - Any excess credit could be claimed on Advance Payment of Employer Credits due to COVID-19 – Form 7200 or carried forward to another quarter.

# American Rescue Plan Act (ARPA) – other items

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- “Recovery Startup Business”
  - A business that began operating after February 15, 2020, and that meets certain gross receipts requirements.
  - Will be eligible for an increased maximum credit of \$50,000 per quarter, even if the business has not experienced a significant decline in gross receipts or been subject to a full or partial suspension under a government order.
- “Severely Financially Distressed Employer”
  - An employer who has suffered a decline in quarterly gross receipts of 90% or more compared to the same calendar quarter in 2019 will be able to treat all wages (up to the \$10,000 limitation) paid during those quarters as qualified wages.
- Exercise Caution !
  - The statute of limitations for assessments relating to the ERTC will not expire until five years after the date that the original return claiming the credit is filed or treated as filed.

# Barnes Dennig Small Business Advisory

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## PPP Loan Applications and PPP Loan Forgiveness services Employee Retention Credit (ERC) Calculations & Refund Claims

- **Dedicated Covid-19 Advisory Team - Immersive experience in Cares Act and CAA legislation, assisting hundreds of businesses through the PPP and ERC process.**
- **Partner with AICPA/CPA.com and their online lender Biz2credit to help businesses apply for PPP loans and PPP loan forgiveness. No application fee.**
- **Calculation of Employee Retention Credit and reductions for PPP wages, FFCRA wages, by employee by quarter. Amended returns/Form 7200 advisory.**

# Questions?





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**Connect with us!**

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## Surveys:

- PPP Loan 2<sup>nd</sup> Draw Quick Test: <https://bit.ly/2YFchyA>
- ERTC Quick Test: <https://bit.ly/2Lcjfli>