



BARNES DENNIG
Accounting • Tax • Business Insight



The New Tax Credits | How Contractors Can Build a Sound Foundation

An Exclusive Event for ISA

May 4th, 2021



Meet the Speakers



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.



Jennifer Wesselman has over 20 years of comprehensive tax experience, including Opportunity Zones, real estate, construction, and investment funds. She specializes in tax compliance, planning, and consulting for businesses and individuals. Jennifer's construction experience includes both general contractors and subcontractors in the commercial and homebuilding industries. Her contractor experience includes consulting on accounting methods, planning for net operating losses, and shareholder tax planning.

Meet Barnes Dennig

- Regional Accounting Firm offering accounting, tax, advisory, and business consulting services
- Locations in Indiana, Ohio, and Kentucky
- 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

Barnes Dennig COVID-19 Advisory Team

- 90+ blog posts and multiple on-demand events
- Online Quick Tests for PPP Loan Forgiveness, 2nd 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
- 2nd draw PPP loans already in the queue

Agenda

1. Introduction

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

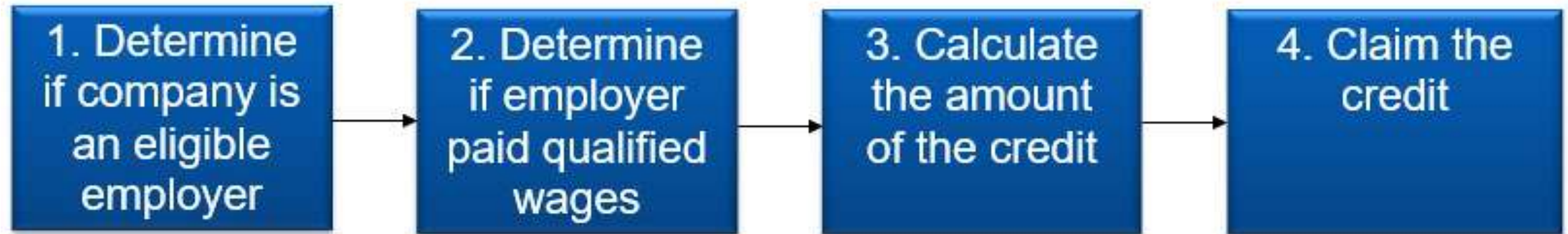
3. How do I Apply for the Employee Retention Tax Credit?

4. Other tax credits and incentives

5. Other ways to save

6. Questions

Does My Business Qualify for the Employee Retention Tax Credit?



Step 1: Who is an eligible employer for 2020?

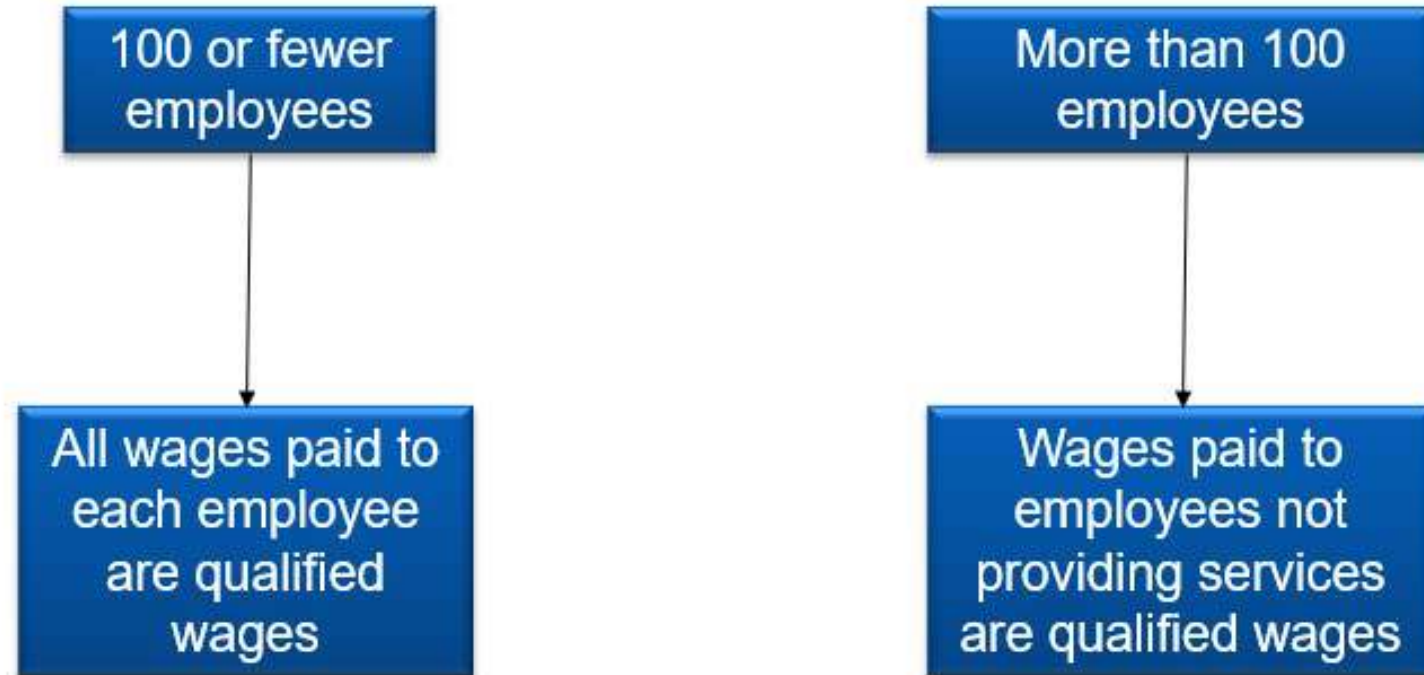
- Fully or partially suspended operations during any calendar quarter in 2020 due to orders from an appropriate government authority limiting commerce, travel or group meetings due to COVID 19, **OR**
- 2020 Gross Receipts are less than 50% of gross receipts compared to same calendar quarter in 2019

- 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

- 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?



Step 3 – Calculate the Credit

- 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

$$\begin{array}{ccccc} \text{Qualified} & & & & \text{Employee} \\ \text{Wages} & \times & 50\% & = & \text{Retention} \\ & & & & \text{Credit} \end{array}$$

- 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.

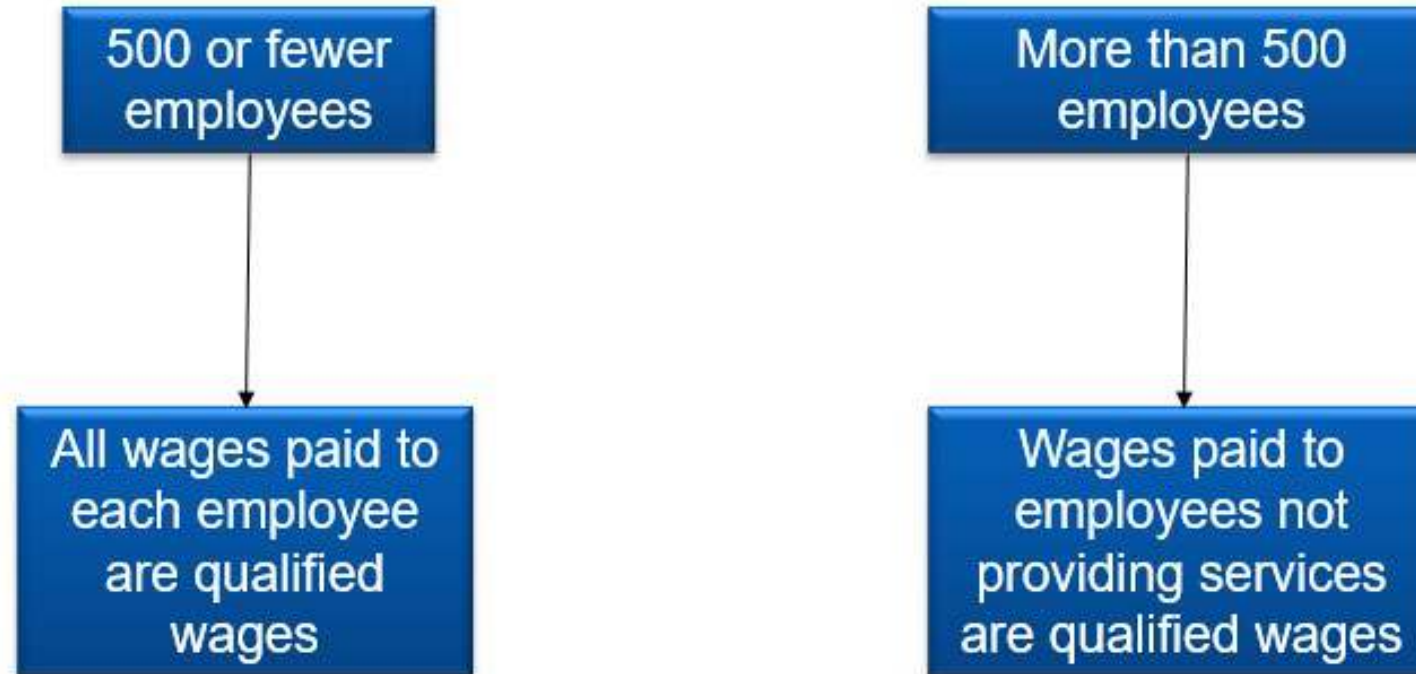
Step 4 – Claim the Credit

- 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?

- 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?



Step 3 - ERC 2021 – Calculate the Credit

- 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

- 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

- “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

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.

Other COVID relief provisions

- PPP & EIDL Loans
 - Forgiveness income is tax-exempt
 - Deductions are now tax deductible
- Net operating Losses (NOLs)
 - NOLs incurred during 2018 – 2020 can be carried back five years
 - Carryback Claims vs. Amended returns
 - Carryback claims – 12 months from the loss year-end

Not so new contractor tax credits

- Research & Development Tax Credit (R&D)
 - Income Tax credit or a payroll tax credit (small businesses with < \$5 million gross receipts)
- Qualifying activities include –
 - Creating or improving efficiency and reliability
 - Designing systems for new use or better efficiency, such as plumbing or HVAC (LEED or other energy-efficient projects)
 - Experimenting with materials or alternatives to create new infrastructure
 - Engineering and design that is unique

Not so new contractor tax credits, continued

- Fuel Tax Credits
 - Fuel for off-highway business purposes for stationary machines, bulldozers, and earthmovers
 - Credit = rate for type of fuel x gallons of fuel
- Work Opportunity Tax Credit (WOTC)
 - Target employee groups, including Veteran, Ex-felon, and SNAP benefit recipients
 - Credit ranges from \$2,400 for a qualified employee - \$9,600 for a qualified veteran

Energy Efficient Tax Credits/Deductions

- §45L – Green Building Incentive or New Energy Efficient Home Credit
 - Extended through 2021
 - \$2,000 credit per unit for new construction in the US
 - Homebuilders or Multi-family developers
 - Dwelling or residential unit must have projected annual heating and cooling costs that is 50% below a comparable dwelling unit
 - Energy-efficient, roofs, doors, windows, HVAC, and insulation

Energy Efficient Tax Deductions

- §179D – Energy Efficient Commercial Building Deduction
 - \$1.80/square foot
 - A deduction for the property owner, but
 - If the building is owned by the government, the deduction can be assigned
 - New or existing buildings
 - Install interior lighting, building envelope or HVAC or hot water systems that reduce the building's total energy and power cost by 50% or more

Questions?





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Surveys:

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