



Dear valued client,

We want to inform you of recent changes to significant payroll credits that you may be eligible for. These credits are available to you even if you received a PPP loan; however, payroll costs used to qualify for the following credits cannot be used to calculate PPP loan forgiveness. The following three credits are available to help companies continue to pay employees during the pandemic:

1. Qualified Sick Leave Wages

This credit is available through March 31, 2021 to employers who pay employees who are unable to work or telework due to COVID-19, based on the specific requirements below. Please note: Employers were required to pay sick and family leave in 2020. In 2021, this paid leave is not required, but the credit for paying sick leave wages is fully refundable in most cases.

Payment of wages under the following criteria are eligible for a credit on the wages paid up to \$511 per day for up to 80 hours of pay, or \$5,110 in total. This credit is available for the wages paid to an employee who:

- Is subject to 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 or
- Is experiencing symptoms of COVID-19 and seeking medical diagnosis

Payment of wages under the following criteria are eligible for a credit on the wages paid at two-thirds of the employee's regular rate of pay up to \$200 per day for up to 80 hours of pay, or \$2,000 in total. This credit is available for the wages paid to an employee who:

- Is caring for an individual subject to a federal, state, or local quarantine or isolation order related to COVID-19 or who has been advised by a health care provider to self-quarantine due to concerns related to COVID-19
- Is caring for a child if the school or place of care has been closed, or the childcare provider is unavailable, due to COVID-19 precautions
- Is experiencing any other substantially similar condition specified by the U.S. Department of Health and Human Services

The credit for Qualified Sick Leave Wages is equal to the gross wages and employer health care costs paid plus the employer share of Social Security and Medicare taxes.

2. Qualified Family Leave Wages

This credit is available to employers who pay employees who are unable to work or telework due to a need to take care of children whose school or place of care has been closed or is unavailable due to COVID-19. Payment of wages equal to two-thirds of the employee's regular rate of pay up to \$200 per day for up to 10 weeks, or \$10,000 in total, are eligible for this credit.

The credit for Qualified Family Leave Wages is equal to the gross wages and employer health care costs paid plus the employer share of Social Security and Medicare taxes.

3. Employee Retention Credit

The Employee Retention Credit is available:

- For the period your business has been fully or partially suspended due to a governmental order issued due to COVID-19
- The entire calendar quarter if the gross receipts in the 2020 calendar quarter were reduced by 50% or more compared to the same quarter in 2019

If a business is eligible for the Employee Retention Credit under the drop in gross receipts criteria above, the business will continue to be eligible for the credit for the following calendar quarters until the end of the quarter in which gross receipts for the calendar quarter of 2020 return to at least 80% of the gross receipts for the same calendar quarter in 2019.

The Employee Retention Credit is equal to 50% of wages up to \$10,000 paid to each employee.

The Employee Retention Credit is also available for the 2021 year from January 1, 2021 through June 30, 2021 with some significant changes compared to 2020. The requirement for a drop in gross receipts for a calendar is reduced to a 20% drop in gross receipts compared to the same calendar quarter in 2019. Also, for 2021 the credit is increased to 70% of wages paid up to \$10,000 per eligible employee per quarter that the employer's gross receipts were reduced by 20% or more.

All of the payroll tax credits outlined above are claimed on your quarterly Form 941 or annual Form 943. If you are eligible for any of the credits described in this letter, please contact us to discuss filing the forms to receive these tax credits.

Sincerely,

Your Cornerstone CPA Group Team