



Dear valued client,

You may have heard of the Employee Retention Credit that was enacted to help employers retain employees during the pandemic. This credit applies to wages paid between 3/13/2020 and 9/30/21, and prior payroll tax returns may be amended to claim this credit if it was not claimed on the originally filed return.

This fully refundable credit is equal to 50-70% of qualified wages (depending on the quarter) paid by eligible employers, limited to \$10,000 of wages per employee. The maximum credit per employee is \$5,000 per year for 2020 and \$7,000 per quarter for 2021, which can add up to a very sizable credit for employers.

We urge you to use caution if you have heard advertising or been contacted by companies stating they can help you claim large payroll tax credits. We have seen these companies claim credits by taking very aggressive stances and charging unreasonably high fees. In some cases, the employers they target are not even eligible for the credits, so the employers are paying exceptionally high fees for tax credits which may not stand up in an audit. The IRS has identified over \$2 trillion of Employee Retention Credits considered to be suspicious. These credits will be targeted by audits, and the IRS has five years to go back and audit these credit claims.

Employers are only eligible for the Employee Retention Credit if:

- They had to fully or partially suspend operations during any calendar quarter in 2020 or the first three quarters of 2021 because of governmental orders due to Covid-19
- They had to fully or partially suspend operations due to an inability to receive critical supplies from a supplier whose operations were suspended because of a government order due to Covid-19 OR
- They experienced a significant decline in gross receipts.
 - For 2020, this is defined as having gross receipts in a calendar quarter of 2020 that are less than 50% of the gross receipts of that same calendar quarter in 2019.
 - For 2021, this is defined as having gross receipts in a calendar quarter of 2021 that are less than 80% of the gross receipts of that same calendar quarter in 2019.

Please note that this tax credit has been amended by lawmakers multiple times, so information you heard initially about the credit could have changed.

There are other limitations and exceptions for this credit, along with rules regarding how many quarters you can take the credit, which are too numerous and detailed for us to include in this newsletter. If you feel you may be eligible for this credit, please contact our office, and we will be happy to help you determine your eligibility.

Sincerely,

Your Cornerstone CPA Group Team