

Employee Retention Tax Credits

Many businesses in **Tucson, Phoenix, and across Arizona** are still dealing with the financial, operational, and human resources issues created by the pandemic. Navigating the ever-changing government regulations, safety mandates, capacity restrictions, and employee vaccination mandates has been difficult. This has forced many companies to explore the Covid-19 relief programs offered by the Small Business Administration (SBA). However, as Paycheck Protection Program (PPP), Restaurant Revitalization Fund (RRF), and other programs dwindle, it has left business owners with few options. The good news is eligible businesses can still retroactively claim the **Employee Retention Tax Credit (ERTC)** if eligible.

What are they?

The ERTC is a 100% refundable, payroll-based tax credit, available to eligible companies on wages paid to employees. Although the credit has been available since last year, recent changes have significantly increased the maximum credit amount to \$28,000 per employee, for 2021

Consider the potential credit

This means that an eligible business that paid qualified wages to 15 employees can receive a credit for the 1st and 2nd quarters of 2021 equal to \$210,000. What's better is the credit can be claimed retroactively for 2020 as well. Since it is refundable any amounts that exceed quarterly payroll liabilities will be refunded by the IRS.

ERC - Eligibility

There are a few different ways to be eligible for the 2021 tax credit:

- Business had operations that were fully or partially suspended in 2021 due to government COVID-related orders. The credit only applies to wages paid during the portion of the quarter that the business is suspended, not the entire quarter, OR
- Business experienced a significant decline in gross receipts in 2021. An employer is considered to have a significant decline in gross receipts only for the quarters for which its gross receipts are less than 80 percent of gross receipts from the same quarter in 2019, OR
- The business is a recovery start-up business (RSB) or Severely Financially Distressed Employer (SFDE)