

Employer Tax Insights: Employee Retention Credit

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Commentary by: Logan Gans

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act” or “Act”) was enacted on March 27, 2020 to provide emergency assistance and health care response for individuals, families, and businesses affected by Covid-19. Employers should be aware of a provision under the CARES Act which provides a refundable payroll tax credit for any employer that **does not** receive a loan under the Paycheck Protection Program (PPP).

Certain employers may be eligible for the employee retention credit (a refundable payroll tax credit), at a maximum of \$5,000 per employee (50% of a maximum of \$10,000 of qualified wages, including allocable healthcare plan expenses). The credit is available for wages paid between March 13, 2020 and December 31, 2020.

This credit generally applies to a business that has suffered a significant decline in gross revenues (i. e., less than 50% of gross receipts from the same quarter in the prior year) or had business partially or completely suspended. For employers with more than 100 employees, the only wages that are eligible are those that the employer pays employees who are not providing services due to the suspension of the business or a drop in gross receipts as described above. However, for employers with 100 or fewer employees, all paid wages qualify.

For example, an employer that retains 200 employees that are not providing services as a result of the crisis can receive a potential maximum payroll tax credit of \$1,000,000.

The tax credit is generally for the employer’s share of Social Security tax, claimed on the quarterly Form 941. However, it may be possible for an employer to claim an advance of the refundable tax credit by filing Form 7200, *Advance Payment of Employer Credits Due to COVID-19*.

Should you have questions regarding US Federal or Florida tax relief concerning COVID-19, please contact Logan Gans or [Francis Rodriguez](#).

Professionals

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