EMPLPSYEE RESTAURANT ASSOCIATION RETENTION TAX CREDIT

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)



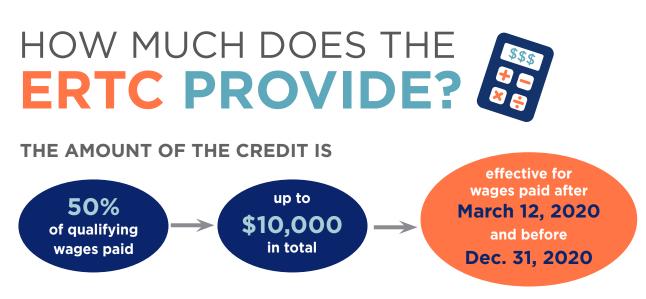
The Coronavirus Aid, Relief, and Economic Security (CARES) Act created a new employee retention tax credit (ERTC) for businesses that are closed, partially closed, or experiencing a major reduction in revenue losses due to coronavirus. The credit is 50% of up to \$10,000 in wages, including the employer portion of health benefits, paid by an employer.

WHAT COMPANIES

THE CREDIT IS AVAILABLE TO ALL EMPLOYERS regardless of size, including tax exempt organizations. To qualify, the employer must:

- 1) Have operations partially or fully closed due to government orders due to coronavirus, or;
- 2) Experience a decline in gross receipts by more than 50% in a quarter compared to the same quarter in 2019. Once the employer's gross receipts go above 80% of a comparable quarter in 2019, they no longer qualify after the end of that quarter.

Employers who receive a Paycheck Protection Program (PPP) loan are not eligible for a tax credit.



The definition of qualifying wages varies by whether an employer had, on average, **more or less than 100 full-time employees in 2019**.

- IF THE EMPLOYER HAD 100 OR FEWER FULL-TIME EMPLOYEES ON AVERAGE IN 2019, then the credit is based on wages paid to all employees whether they actually worked or not. Even if the employees worked full-time and got paid for full-time work, the employer still gets the credit.
- IF THE EMPLOYER HAD MORE THAN 100 FULL-TIME EMPLOYEES ON AVERAGE IN 2019, then the credit is allowed only for wages paid to employees who did not work during the calendar quarter.

In both cases, "wages" includes not just cash payments but also a portion of the cost of employer health insurance costs. Employers may not claim the same employee for this credit and the Work Opportunity Tax Credit for the same period.

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Federal rules are still being issued on this these issues. As always, please ensure you are reviewing the latest in federal and state laws when considering loan or investment decisions. If you need specific advice, please seek a professional who is licensed or knowledgeable about that area, your business, etc.

HOW DO I 🙆 RECEIVE THE CREDIT?

EMPLOYERS CAN BE IMMEDIATELY REIMBURSED

for the credit by **reducing the amount of payroll taxes they have withheld from employees' wages** that they are required to deposit with the Treasury. Eligible employers will **report their total qualified wages** and the **related health insurance costs for each quarter** on their quarterly employment tax returns or Form 941 beginning with the second quarter.

IF THE EMPLOYER'S EMPLOYMENT TAX DEPOSITS ARE NOT

SUFFICIENT to cover the credit, the **employer may receive an advance payment** from the IRS by submitting Form 7200, <u>Advance Payment of Employer Credits</u> <u>Due to COVID-19</u>. Eligible employers can also request an advance of the Employee Retention Credit by submitting Form 7200.

RESOURCES

"FAQs: Employee Retention Credit under the CARES Act," Internal Revenue Service

"Employee Retention Tax Credit: What You Need to Know," U.S. Treasury

"Form 7200, Advance Payment of Employer Credits Due to COVID-19," Internal Revenue Service

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