



EMPLOYEE RETENTION CREDIT

Recent legislation has greatly expanded the availability of the Employee Retention Credit (ERC) to taxpayers, including to those who obtained a Paycheck Protection Program loan. Because of the last-minute passage of the legislation and the fact that year-end payroll has already been completed, taxpayers should review the information below carefully to determine if they are eligible to claim additional tax credits in 2020 and 2021. Below are two common questions related to ERC that employers are asking about:

AM I ELIGIBLE FOR THE ERC?

There are two ways a business can qualify for the ERC:

- I. The business was either fully or partially shut down due to a government order
- II. There was a significant decline of gross receipts comparing quarter over quarter

SHUT DOWN
FULLY OR PARTIALLY
DUE TO A
GOVERNMENT
ORDER

**EITHER TEST
CAN APPLY**

EXPERIENCED
A DECLINE IN
GROSS RECEIPTS
>50% (2020)
>20% (2021)

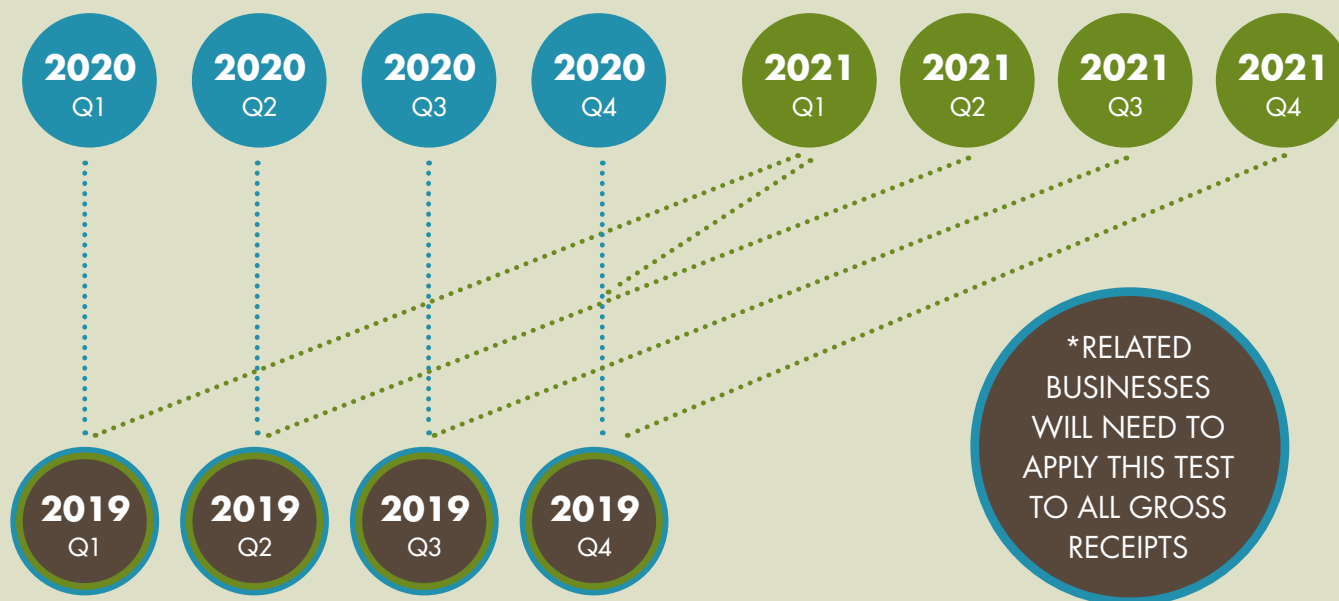
SHUT DOWN TEST

According to the IRS, "An employer that operates an essential business is not considered to have a full or partial suspension of operations if the governmental order allows the employer's operations to remain open. However, an employer that operates an essential business may be considered to have a partial suspension of operations if, under the facts and circumstances, more than a nominal portion of its business operations are suspended by a governmental order."

GROSS RECEIPTS TEST

There was a significant decline of gross receipts comparing quarter over quarter.

- In 2020, a business would look at quarters 1 through 4 and compare those quarters to the same quarters in 2019.
- In 2021, a business would look at all quarters and compare those quarters to the same quarters in 2019. However, there is a **special rule**, that will still need final guidance from the IRS, where a taxpayer who doesn't qualify under the preceding sentence may look at the previous quarter to determine eligibility.



Most production agriculture has been deemed essential, so the only way to qualify in that case would be under the gross receipts test. However, many industries were impacted by shutdown orders, such as retail, wineries, and certain greenhouses and nurseries that would be able to qualify under the government order test.

HOW MUCH IS THE ERC WORTH?

- In 2020, the maximum amount of ERC is 50% of qualifying wages up to \$10,000 per employee.
- In 2021, for most businesses, the maximum amount of ERC is 70% of qualifying wages up to \$10,000 per employee, per quarter.

If you believe you qualify or would like assistance in determining qualification, contact your Farm Credit East financial services professional.