LASITER & LASITER
CERTIFIED PUBLIC ACCOUNTANTS

ERC / ERTC – Employee Retention Tax Credit

What is it?

In March 2020, Congress created the Employee Retention Tax Credit (ERTC) as a way to provide small businesses with financial relief during the pandemic. Since that time, the ERTC has been expanded three times so more struggling companies can use it to get help for their businesses. Nearly every aspect of this fully refundable tax credit has been liberalized and extended through 2021. It was created as part of the Cares Act in March of 2020 along with the more familiar PPP Loans (Payroll Protection Program).

The Employee Retention Tax Credit (ERTC) is a credit that provides tax relief for companies that lost revenue in 2020 and 2021 due to COVID-19. The ERTC was designed to incentivize businesses of all sizes to keep employees on their payrolls during this period of economic hardship. Eligible companies can receive as much as $7,000 per employee per quarter for the first three quarters in 2021, which equals $21,000 per employee. They might also qualify for a break of $5,000 per employee for all of 2020. *This money comes as a TAX REFUND from the IRS. It does not need to be repaid and can be used for anything without restrictions.*

The ERTC qualification period expired on Sept 30th, 2021. Eligible employers can claim the ERTC for their 2020 or 2021 taxes by working with a professional to amend their 941 Quarterly tax returns.

The ERTC has changed over time and originally you could only take a PPP loan OR the ERTC, so most companies opted for the easier PPP loan. Congress amended the bill in December 2020 so more companies could take advantage of the credit and now companies can qualify and take money out of both programs.

What companies qualify for the ERTC?

The ERTC was designed to help small businesses that lost revenue due to the pandemic, but only some companies are eligible. To qualify, private companies (including nonprofits) must meet one of the following criteria:

- Your business was ordered by a local government to fully or partially shut down in 2020 or 2021. This includes your operations being limited by commerce, inability to travel, or restrictions of group meetings.

- Your gross receipts for a single quarter of 2020 fell by 50% versus the same quarter of 2019 (for the 2020 tax credit).
- Your gross receipts for a single quarter of 2021 decreased by 20% versus the same quarter of 2019 (for the 2021 tax credit).

If your company was not in business in 2019, you could use a corresponding quarter in 2020 to show you had a revenue reduction between 2020 and 2021 and qualify for the ERTC.

Government entities and sole proprietors are not eligible for the ERTC.

Qualifying Examples

RETAIL STORES
Example: A boutique retail store saw a significant decline in gross receipts in 2020 compared to 2019.

MEDICAL SERVICES
Example: A dental practice was ordered to fully shut down at the beginning of the pandemic.

RESTAURANTS
A restaurant shut down due to government order, then was allowed to provide outdoor dining, followed by indoor dining with capacity restrictions.

TECH STARTUPS
A software company developed a new product for their customers in 2021. Average revenue for the past 3 years was under $1M.

FITNESS CENTERS
A private gym received a PPP loan and saw a significant decline in revenue compared to 2019.

NON-PROFITS
A non-profit organization partially suspended operations due to government order.

How long does it take to get my refund?

The IRS has a backlog of ERTC claims so it could take several months to receive your refund check. The average for smaller companies is 3-4 months with larger companies taking approximately 9 months.

What if I wasn't fully shut down by Government Orders?

There are three ways to qualify for the Employee Retention Tax Credit. Even businesses that were deemed "essential" experienced effects from the Covid Restrictions. Under the government shutdown criteria, a company can qualify for the ERTC with a full OR a partial shutdown. Examples of partial shutdowns include capacity restrictions and key suppliers that were forced to close. To meet IRS guidelines, more than a "nominal" portion of business operations must have been affected. A restaurant may have had seating capacity limited. A car dealership may have had restricted hours or experienced disruptions due to supply chain issues from Covid. A hospital that was deemed "essential" had to suspend elective and non-urgent medical procedures.

Do we still qualify if we stayed open during the pandemic?

Yes. To qualify your business must meet either one of the following criteria:

- Experienced a decline in gross receipts by 20%, or
- Had to change business operations due to government orders.

Many items are considered as changes in business operations, including shifts in job roles and the purchase of extra protective equipment.

I was told I don't qualify.

This is an extremely complex program. As with nearly every program created by the government, there are over 1,000 pages of guidance for the professionals that handle these filings. Many of our clients have been told by their CPA or Tax Attorney that they don't qualify. They make this decision based on the Significant Decline qualification. They incorrectly assume that since a company increased revenue they will not qualify. Numerous businesses are qualifying based on the Partial Shutdown rule where they evaluate the Nominal Effect and supply chain issues. Nearly every business was affected by Covid in some fashion. If a 100-person company was told they don't qualify, and they spend one hour gathering documents for us to verify, it could be worth up to $2,600,000 in revenue back to that company. It's absolutely worth verifying and it's free to find out!

Why partner with our Accounting Firm?

Lasiter & Lasiter CPAs are a 3rd generation CPA firm that has been licensed and in business since 1963 (59 years!). They have a 100% track record with every client they have submitted to the IRS in getting a refund. They work diligently and thoroughly to make sure each client receives the maximum ERCT refund allowed. There is no risk in working them. They collect a 20% Contingency Fee which is paid AFTER the tax refund is received. This contingency fee is standard across CPA firms for this work. If they can't save you money, you pay nothing. Many firms are springing up to file this paperwork and when the program ends in April of 2025, they will likely close up shop since this is the ONLY thing they do. If a client has issues in the future or if an audit comes up, Lasiter & Lasiter will still be in business to help and respond with answers. They also carry $1 million dollar in liability insurance per client they work with!