

Press Release...

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IRS clarifications that may include businesses otherwise not applying for ERC.

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FOR IMMEDIATE ATTENTION: ALL EMPLOYERS

PPP loan forgiveness, grants, and “gross receipts”

Since the ERC was originally enacted in 2020, taxpayers have been asking for clarification on the impact that other COVID-19 relief might have on a business’s gross receipts. Employers can qualify for the Employee Retention Credit in several ways. One method requires that an employer experienced a “significant decline in gross receipts” between the quarter in which eligibility is sought and the same quarter of 2019. Until the IRS released this guidance, taxpayers weren’t sure if COVID-19 relief amounts received from the government — such as Payroll Protection Program (PPP) loan forgiveness, shuttered venue operator grants, and restaurant revitalization grants — should be included in “gross receipts” when calculating a “significant decline.”

In Revenue Procedure 2021-33, the IRS created a special safe-harbor rule that allows taxpayers to exclude amounts received from the COVID-19 relief programs listed above from the calculation of “gross receipts” solely for the purpose of determining ERC eligibility. The safe harbor makes it clear that the amounts are still counted as gross receipts for all other tax purposes. By not mentioning any COVID-19 relief programs aside from the three listed above, the guidance implies that grants or loan forgiveness from any other program will continue to count as gross receipts for the ERC.

“The IRS created a special safe-harbor rule that allows taxpayers to exclude amounts received from the COVID-19 relief programs.”

Employee tips as “qualified wages”

IRS Notice 2021-49 answered several additional questions that had caused uncertainty for taxpayers hoping to claim the ERC. The notice confirmed tips received by employees count as “qualified wages” for employers calculating credit amounts and that employers could claim both an ERC and a FICA tip credit for the same tips.

“The notice confirmed tips received by employees count as “qualified wages” for employers calculating credit amounts.”

These two clarifications may substantially qualify your business for ERC for some or all quarters. Visit ERCpeople.com for more information, complete the ERC prequal or call 833.327.3375 to schedule a qualification interview with one of our counselors. No Cost, No Obligation.

Derk Business Capital LLC is a business funding and services broker helping small businesses grow with working capital, equipment financing, commercial real estate loans and government grant advisory. ERCpeople.com is a service of Derk Business Capital and DerkCapital.com located in Buffalo, NY. Helping small business make sure they get every penny for all relief programs offered by the federal government. For inquiries: Dave@DerkCapital.com , ERCpeople.com