



At Prager Metis we understand that you need more than just number crunching and financial reporting. Our CFO Advisory experts offer a variety of proactive services that will help enhance your current state and your business preparedness for unanticipated future occurrences.

We are the right size, offer the best people and deliver top-tier solutions which are customizable and tailored to your business needs.

Services

- Fractional CFO & Controller Services
- Quality of Earnings
- Cash Flow Management & Analysis
- Crisis Management Services
- Financing Support
- Develop /Maintain Annual Budget & Forecasting Processes
- Technical Accounting Research and Implementation
- Insurance Assessment and Strategies
- Profitability Optimization Analysis
- Develop Comprehensive & Customizable Financial Reporting Packages
- Tax Planning & Preparation
- Financial Planning and Investment Management
- Turnaround, Bankruptcy and Restructuring Services
- Mergers, Acquisitions, & Divestiture Advisory (buy-side, sell-side)
- Creation/maintenance of Data Room
- Business Relocation & Expansion
- Tax Incentive Research & Guidance
- Location Services

Tax Saving Opportunity for Your Business

It's not too late to take advantage of the ERTC

General/Background

The employee retention tax credit (ERC) was enacted as part of the CARES Act and allows for a refundable tax credit against the employer's share of Social Security employment taxes. This credit may allow for significant tax refund opportunities for eligible taxpayers. Borrowers under the SBA's Paycheck Protection Program (PPP) are eligible to claim the employee retention credit, but may not use the same wages for both PPP loan forgiveness and the ERC.

2020 Eligibility & Credit Amount

The employee retention credit is available for eligible wages paid after March 12, 2020. In order to qualify for the credit in 2020, the taxpayer must demonstrate that either: (1) the business operations were fully or partially suspended during at least one calendar quarter during the 2020 tax year due to governmental authority related to the COVID crisis, or (2) the business suffered a decline in its gross receipts of more than 50% in any 2020 quarter, compared to the corresponding quarter in 2019. Once a more than 50% decline in gross receipts has occurred, the credit eligibility continues until the taxpayer's gross receipts return to at least 80% of the gross receipts level for the same 2019 quarter used to determine the gross receipts decline.

The amount of the credit for 2020 is limited to 50% of \$10,000 maximum annual wages, i.e., \$5,000 maximum credit per employee. In addition to wages, health care costs can be included in the amount eligible for the credit, even if the employee had been furloughed. Further, if the taxpayer had more than 100 full time equivalency employees during 2019 (this measurement includes affiliated entities under single employer IRS rules), the taxpayer may only claim a credit for wages paid to those employees who are not providing services due to either business closures under governmental authority or decline in gross receipts.

2021 Eligibility & Credit Amount

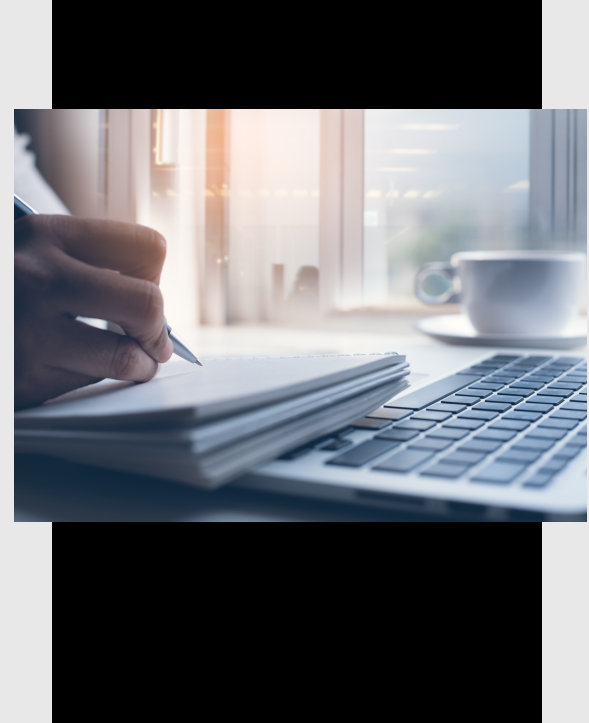
The ERC is extended through September 30, 2021 with the following computational changes:

For 2021, the credit amount is 70% of up to \$10,000 creditable wages per quarter. As discussed above, for 2020, the credit is based on a 50% x \$10,000 annual wage cap. Further, the gross receipts test is modified for 2021 by requiring a decrease in gross receipts of more than 20% compared to the same quarter in 2019. By election, the taxpayer may elect to satisfy the gross receipts reduction by comparing the immediately preceding quarter to the corresponding quarter in 2019. The 2021 credit eligibility rules retain the full or partial closure eligibility rule associated with governmental authority for 2021. In addition, the large employer rule requiring eligible wages to count only for those employees who are paid not to provide services is raised from more than 100 employees to more than 500 employees.



Recovery Start-Up Business

A new category of eligible business for ERC purposes was introduced into law, effective for the third and fourth quarters of 2021. Thus, if a business does not meet the qualifications due to a more than 20 percent decline in gross receipts, or a partial or full closure due to governmental authority due to COVID, a business that meets the following requirements as a recovery start up business may qualify for ERC purposes. An eligible employer must (1) began carrying on a trade or business after February 15, 2020; (2) average annual gross receipts for the three taxable year period ending with the taxable year preceding the calendar quarter for which the credit is determined must not exceed \$1 million; and (3) the employer does not satisfy the more than 20 percent decline in gross receipts or partial or full closure tests. For purposes of the \$1 million gross receipts test, the rules contain a special aggregation rule for commonly owned businesses. Further, the recovery start up business is subject to a \$50,000 cap per quarter for the ERC credit, i.e., the credit may not exceed \$50,000 for each of the third or further quarters of 2021 (although the Infrastructure legislation terminated the ERC after September 30, 2021, recovery start-up businesses may be eligible for the fourth quarter 2021).



Other Relevant Tax Issues

Associated with the Employee Retention Credit

The IRS has indicated that deductions for the portion of employee wages will be non-deductible to the extent of the employee retention credit amount under rules similar to IRC Section 280C (generally applicable to the Work Opportunities tax credit). Refundable tax credits are not required to be included in the taxpayer's gross income. In addition, the new law provides that effective for tax years beginning January 1, 2021, the research tax credit cannot be claimed on the same wages that also qualify for the employee retention credit.

Next Steps

For those taxpayers who borrowed under the PPP loan program, there may be opportunities to calculate and amend payroll tax returns for 2020 and 2021 if the eligibility tests discussed are met. The retention credit may not be claimed on the same wages that are used to qualify for PPP loan forgiveness.

**We can help you determine
your eligibility and assist you in
applying for credits
retroactively.**



Your World. Worth More.



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