IRS C&L-Stakeholder Liaison

Ley Mills, C&L, Stakeholder
September 10, 2020

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IRS – C&L – Stakeholder Liaison

Employee Retention Credit
Ley Mills, C&L, Stakeholder Liaison

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What is the Employee Retention Credit?

A fully refundable tax credit for employers equal to 50 percent of qualified wages (including allocable qualified health plan expenses) that Eligible Employers pay their employees.

3 Employee Retention Credit | Stakeholder Liaison Date

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Eligible Employer

Carry on a trade or business in 2020 that either:

1. Was fully or partially suspended by government order due to COVID-19
2. Experiences a significant decline in gross receipts

Not eligible:

- Governmental employers
- Self-employed individuals for own services and earnings

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Operations fully or partially suspended

Trade or business operations fully or partially suspended during any calendar quarter in 2020 due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19

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Significant Decline in gross receipts

- 1st quarter in which gross receipts for a calendar quarter in 2020 are less than 50% of its gross receipts for the same calendar quarter in 2019
- Ends on the first day of the first calendar quarter following the calendar quarter in which gross receipts are more than of 80% of its gross receipts for the same calendar quarter in 2019.

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Qualified Wages

- Paid to employees after March 12, 2020, and before January 1, 2021.
- Depends on the average number of full-time employees employed during 2019.
- Includes qualified health plan costs that are allocable to wages,

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Qualified Wages

Wages based on the average number of a business's employees in 2019.

Employers with less than 100 FT employees:

- The credit is based on wages paid to *all* employees, regardless of whether they provided services.

Employers with more than 100 FT employees:

- The credit is allowed *only* for wages paid to employees for the time when they are not providing services .

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Calculate the Credit

- Equal to 50% of qualified wages per employee
- Maximum amount of qualified wages per employee for all calendar quarters is $10,000.
- Maximum credit per employee is $5000

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Claiming the credit

- Report qualified wages and credits for each calendar quarter on federal employment tax returns.
- Tax credit may be claimed against the employer portion of certain employment taxes.
- If credit exceeds payroll deposit employer may apply for advance refund per Form 7200, Advance Payment of Employer Credits Due To COVID-19.

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Impact of other credit provisions

- Small Business Loan – Paycheck Protection Program (PPP)
- Paid Family and Sick Leave Credit – Families First
- Work Opportunity Credit
- Section 45S

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C&L Stakeholder Liaison

Families First Coronavirus Response Act (FFCRA)

September 10, 2020

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Families First Coronavirus Response Act

- Emergency Paid Sick Leave Act (EPSLA)
- Emergency Family and Medical Leave Expansion Act
- Tax Credits for paid sick leave
- Tax Credits for paid family and medical leave

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Emergency paid sick leave

Employees unable to work or telework may be eligible to receive:

Up to 80 hours paid sick leave at full rate of pay

$511 per day, Maximum $5110 for an employee unable to work because employee:

- is under a Federal, State, or local quarantine or isolation order related to COVID-19;
- has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
- is experiencing symptoms of COVID-19 and seeking a medical diagnosis;

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Emergency Paid Sick Leave cont'd

Employees unable to work or telework may be eligible to receive:

Up to paid 80 hours sick leave at 2/3 rate of pay.

Up to $200 daily, $2000 maximum if employee is:

- Caring for an individual under Federal, State, or local quarantine or isolation order or is advised to self-quarantine
- Caring for child and school or place of care for the child has been closed, or the child care provider is unavailable
- Is experiencing similar condition specified by the U.S. Department of Health and Human Services.

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Emergency paid family and Medical leave

Employee who is unable to work (or telework) to care for a child whose school or place of care is closed, or care provider is unavailable due to COVID-19.

- Paid family and medical leave equal to two-thirds of the employee's regular pay
- Up to $200 per day and $10,000 in the aggregate
- Up to 10 weeks of qualifying leave

* Individual must employed for at least 30-calendars days

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Tax Credits for Small and Midsize Businesses

- Employer Refundable Sick Leave Tax Credit
- Employer Refundable Family Leave Tax Credit

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Eligible Employers

- Small and mid-size businesses and tax-exempt organizations with fewer than 500 employees;
- Certain self-employed persons are entitled to similar credits.

** Employers with fewer than 50 employees are eligible for an exemption from the requirements to provide paid leave to care for a child whose school or a place of care is closed, or childcare is unavailable in cases where the viability of the business is threatened.*

** Employers of certain health care providers and emergency responders may be able to opt out as well.*

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Paid Sick Leave credit

Eligible employers may claim tax credit if employee is unable to work or telework due to:

- COVID-19 quarantine (pursuant to Federal, State, or local government order or advice of a health care provider)
- COVID-19 symptoms
- COVID-19 medical diagnosis

Eligible employers may claim credit at the employee's regular rate of pay:

- up to $511 per day; $5,110 in total
- for a total of 10 days for this credit

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IRS

Paid Sick leave credit cont'd

Eligible employers may claim tax credit if employee is unable to work or telework due to:

- caring for someone with COVID-19 or
- caring for a child because the child's school or place of care is closed, or
- child care provider is unavailable due to COVID-19

Eligible employers may claim credit for two-thirds of the employee's regular rate of pay:

- up to $200 per day; $2000 in total
- for a total of 10 days for this credit

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aggregate or total

[4/16/2020 12:53 PM]
Thanks

IRS

Paid Family leave credit

Eligible employers may receive a refundable family leave credit equal to two-thirds of the employee's regular pay:

- capped at $200 per day or $10,000 in total for 10 weeks

Employer eligible to claim tax credit if employee is unable to work or telework because of a need to:

- care for a child whose school or place of care is closed
- whose child care provider is unavailable due to COVID-19

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Refundable Tax Credits

- Tax Credits For Paid Sick Leave
- Tax Credits for Paid Family Leave

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Paid Leave Refundable Credit

- Qualified paid leave provided between April 1, 2020 and December 31, 2020
- Fully refundable tax credit
- Includes the eligible employer's share of Medicare tax
- Includes allocable cost of maintaining health insurance coverage

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Paid Leave Refundable Credit (con't)

- Covers costs of paid sick leave and paid expanded family and medical leave related to COVID-19
- Claim credit on federal employment tax returns
- Qualified Leave Wages are not subject to the employer portion of social security tax

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Exemptions from FFCRA

- Businesses with fewer than 50 employees from child care leave
- Health care providers or emergency responders

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How to claim the credit

Report on quarterly 941

- Wages
- Qualified Health care expense
- Eligible Medicare tax

First reduce federal employment tax deposits

To claim the advanced credit, file Form 7200

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Recordkeeping

Maintain:

- Records and documents
- Form 941, Employer's Quarterly Federal Tax Returns
- Form 7200, Advance Payment of Employer Credits Due to COVID-19

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Resources

- Coronavirus Tax Relief | Internal Revenue Service
- COVID-19-Related Tax Credits for Required Paid Leave Provided by Small and Midsize Businesses FAQs
- http://www.irs.gov/coronavirus
- https://home.treasury.gov/coronavirus
- www.dol.gov/agencies
- DOL Families First Coronavirus Response Act: Questions and Answers

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FAQs, Resources & Guidance

IR-2020-89, May 7, 2020

WASHINGTON — The Internal Revenue Service today reminds employers affected by COVID-19 about three important new credits available to them.

Employee Retention Credit:

The employee retention credit is designed to encourage businesses to keep employees on their payroll. The refundable tax credit is 50% of up to $10,000 in wages paid by an eligible employer whose business has been financially impacted by COVID-19.

The credit is available to all employers regardless of size, including tax-exempt organizations. There are only two exceptions: State and local governments and their instrumentalities and small businesses who take small business loans.

Qualifying employers must fall into one of two categories:

1. The employer's business is fully or partially suspended by government order due to COVID-19 during the calendar quarter.
2. The employer's gross receipts are below 50% of the comparable 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 will calculate these measures each calendar quarter.

Paid Sick Leave Credit and Family Leave Credit:

The paid sick leave credit is designed to allow business to get a credit for an employee who is unable to work (including telework) because of Coronavirus quarantine or self-quarantine or has Coronavirus symptoms and is seeking a medical diagnosis. Those employees are entitled to paid sick leave for up to 10 days (up to 80 hours) at the employee's regular rate of pay up to $511 per day and $5,110 in total.

The employer can also receive the credit for employees who are unable to work due to caring for someone with Coronavirus or caring for a child because the child's school or place of care is closed, or the paid childcare provider is unavailable due to the

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FAQs, Resources & Guidance

How will employers receive the credit?

Employers can be immediately reimbursed for the credit by reducing their required deposits of payroll taxes that have been withheld from employees' wages by the amount of the credit.

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, Advance Payment of Employer Credits Due to COVID-19.

Eligible employers can also request an advance of the Employee Retention Credit by submitting Form 7200.

The IRS has also posted Employee Retention Credit FAQs and Paid Family Leave and Sick Leave FAQs that will help answer questions.

Updates on the implementation of the Employee Retention Credit and other information can be found on the Coronavirus page of IRS.gov.

Related Items:

- FS-2020-05, New Employee Retention Credit helps employers keep employees on payroll

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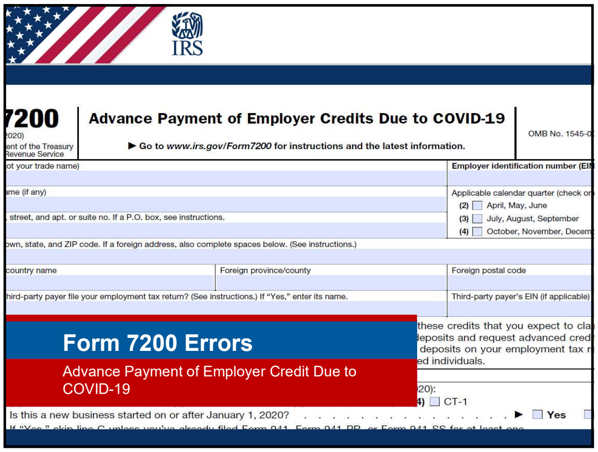
IRS
Form 7200 Errors
Advance Payment of Employer Credit Due to COVID-19
Advance Payment of Employer Credits Due to COVID-19
▶ Go to www.irs.gov/Form7200 for instructions and the latest information.

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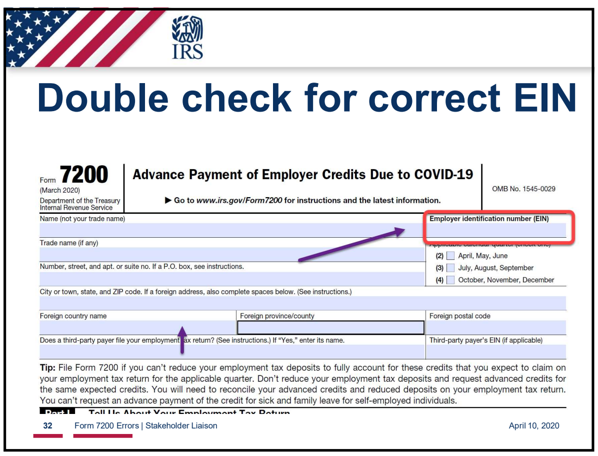
IRS
Double check for correct EIN
Form 7200
(March 2020)
Advance Payment of Employer Credits Due to COVID-19
▶ Go to www.irs.gov/Form7200 for instructions and the latest information.
OMB No. 1545-0029
Employer identification number (EIN)
32 Form 7200 Errors | Stakeholder Liaison April 10, 2020

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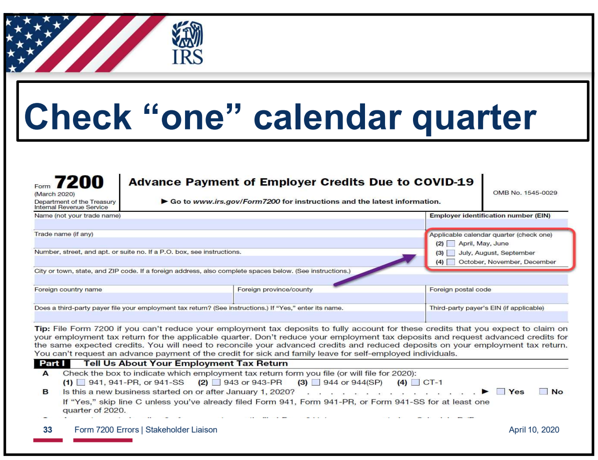
IRS
Check “one” calendar quarter
Form 7200
(March 2020)
Advance Payment of Employer Credits Due to COVID-19
▶ Go to www.irs.gov/Form7200 for instructions and the latest information.
OMB No. 1545-0029
Applicable calendar quarter (check one)
(2) April, May, June
(3) July, August, September
(4) October, November, December
33 Form 7200 Errors | Stakeholder Liaison April 10, 2020

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IRS

Check "one" box for Part 1, Line A

Form **7200**
(March 2020)
Department of the Treasury
Internal Revenue Service

Advance Payment of Employer Credits Due to COVID-19

► Go to *www.irs.gov/Form7200* for instructions and the latest information.

OMB No. 1545-0029

Name (not your trade name) | **Employer identification number (EIN)**

Trade name (if any) | Applicable calendar quarter (check one)
(2) ☐ April, May, June
(3) ☐ July, August, September
(4) ☐ October, November, December

Number, street, and apt. or suite no. If a P.O. box, see instructions.

City or town, state, and ZIP code. If a foreign address, also complete spaces below. (See instructions.)

Foreign country name | Foreign province/county | Foreign postal code

Does a third-party payer file your employment tax return? (See instructions.) If "Yes," enter its name. | Third-party payer's EIN (if applicable)

Tip: File Form 7200 if you can't reduce your employment tax deposits to fully account for these credits that you expect to claim on your employment tax return for the applicable quarter. Don't reduce your employment tax deposits and request advanced credits for the same expected credits. You will need to reconcile your advanced credits and reduced deposits on your employment tax return. You can't request an advance payment of the credit for sick and family leave for self-employed individuals.

Part I **Tell Us About Your Employment Tax Return**

A Check the box to indicate which employment tax return form you file (or will file for 2020):
(1) ☐ 941, 941-PR, or 941-SS **(2)** ☐ 943 or 943-PR **(3)** ☐ 944 or 944(SP) **(4)** ☐ CT-1

B Is this a new business started on or after January 1, 2020? . . . . ► ☐ **Yes** ☐ **No**
If "Yes," skip line C unless you've already filed Form 941, Form 941-PR, or Form 941-SS for at least one quarter of 2020.

C Amount reported on line 2 of your most recently filed Form 941 (or wages reported on Schedule R (Form

34 Form 7200 Errors | Stakeholder Liaison April 10, 2020

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IRS

One choice: Yes or No

Form **7200**
(March 2020)
Department of the Treasury
Internal Revenue Service

Advance Payment of Employer Credits Due to COVID-19

► Go to *www.irs.gov/Form7200* for instructions and the latest information.

OMB No. 1545-0029

Name (not your trade name) | **Employer identification number (EIN)**

Part I **Tell Us About Your Employment Tax Return**

A Check the box to indicate which employment tax return form you file (or will file for 2020):
(1) ☐ 941, 941-PR, or 941-SS **(2)** ☐ 943 or 943-PR **(3)** ☐ 944 or 944(SP) **(4)** ☐ CT-1

B Is this a new business started on or after January 1, 2020? . . . . ► ☐ Yes ☐ No
If "Yes," skip line C unless you've already filed Form 941, Form 941-PR, or Form 941-SS for at least one quarter of 2020.

C Amount reported on line 2 of your most recently filed Form 941 (or wages reported on Schedule R (Form 941), column (c), by your third-party payer (see instructions)). If you file a different employment tax return, see instructions . . . . ►

D Enter the total number of employees you have. See instructions . . . . ►

35 Form 7200 Errors | Stakeholder Liaison April 10, 2020

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IRS

Part II: Complete *all* lines

Form **7200**
(March 2020)
Department of the Treasury
Internal Revenue Service

Advance Payment of Employer Credits Due to COVID-19

► Go to *www.irs.gov/Form7200* for instructions and the latest information.

OMB No. 1545-0029

Name (not your trade name) | **Employer identification number (EIN)**

Part II **Enter Your Credits and Advance Requested**

1	Total employee retention credit for the quarter. See instructions			1	
2	Total qualified sick leave wages eligible for the credit and paid this quarter. See instructions			2	
3	Total qualified family leave wages eligible for the credit and paid this quarter. See instructions			3	
4	Add lines 1, 2, and 3			4	
5	Total amount by which you have already reduced your federal employment tax deposits for these credits for this quarter	5			
6	Total advanced credits requested on previous filings of this form for this quarter	6			
7	Add lines 5 and 6			7	
8	**Advance requested.** Subtract line 7 from line 4. If zero or less, don't file this form			8	

36 Form 7200 Errors | Stakeholder Liaison April 10, 2020

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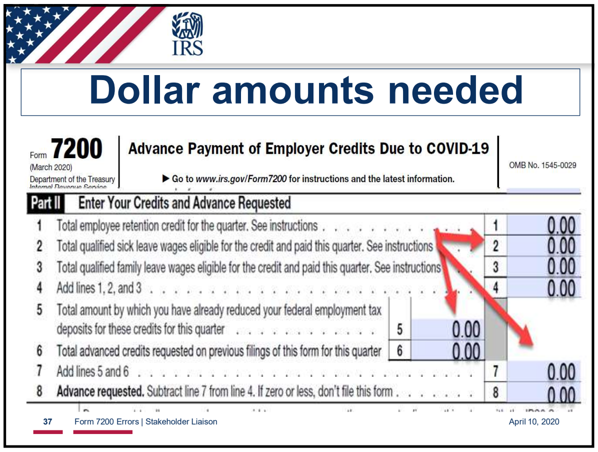
IRS
Dollar amounts needed
Form 7200 (March 2020) Department of the Treasury
Advance Payment of Employer Credits Due to COVID-19
▶ Go to www.irs.gov/Form7200 for instructions and the latest information.
OMB No. 1545-0029
Part II Enter Your Credits and Advance Requested
1 Total employee retention credit for the quarter. See instructions 1 0.00
2 Total qualified sick leave wages eligible for the credit and paid this quarter. See instructions 2 0.00
3 Total qualified family leave wages eligible for the credit and paid this quarter. See instructions 3 0.00
4 Add lines 1, 2, and 3 4 0.00
5 Total amount by which you have already reduced your federal employment tax deposits for these credits for this quarter 5 0.00
6 Total advanced credits requested on previous filings of this form for this quarter 6 0.00
7 Add lines 5 and 6 7 0.00
8 Advance requested. Subtract line 7 from line 4. If zero or less, don't file this form 8 0.00
37 Form 7200 Errors | Stakeholder Liaison April 10, 2020

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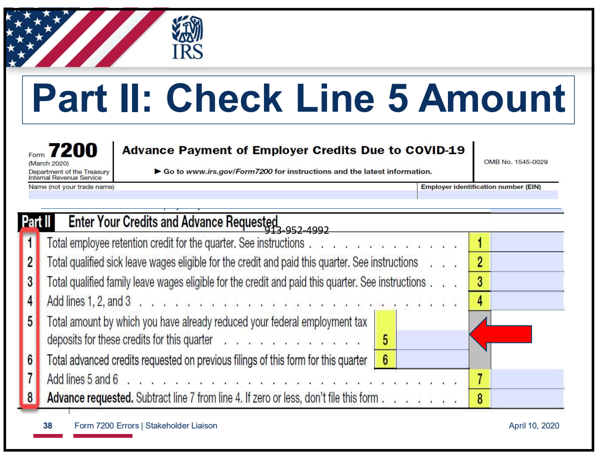
IRS
Part II: Check Line 5 Amount
Form 7200 (March 2020) Department of the Treasury Internal Revenue Service
Advance Payment of Employer Credits Due to COVID-19
▶ Go to www.irs.gov/Form7200 for instructions and the latest information.
OMB No. 1545-0029
Name (not your trade name) Employer identification number (EIN)
Part II Enter Your Credits and Advance Requested
913-952-4992
1 Total employee retention credit for the quarter. See instructions 1
2 Total qualified sick leave wages eligible for the credit and paid this quarter. See instructions 2
3 Total qualified family leave wages eligible for the credit and paid this quarter. See instructions 3
4 Add lines 1, 2, and 3 4
5 Total amount by which you have already reduced your federal employment tax deposits for these credits for this quarter 5
6 Total advanced credits requested on previous filings of this form for this quarter 6
7 Add lines 5 and 6 7
8 Advance requested. Subtract line 7 from line 4. If zero or less, don't file this form 8
38 Form 7200 Errors | Stakeholder Liaison April 10, 2020

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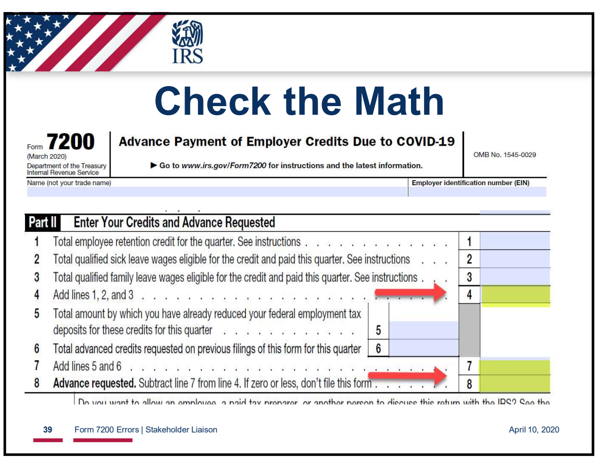
IRS
Check the Math
Form 7200 (March 2020) Department of the Treasury Internal Revenue Service
Advance Payment of Employer Credits Due to COVID-19
▶ Go to www.irs.gov/Form7200 for instructions and the latest information.
OMB No. 1545-0029
Name (not your trade name) Employer identification number (EIN)
Part II Enter Your Credits and Advance Requested
1 Total employee retention credit for the quarter. See instructions 1
2 Total qualified sick leave wages eligible for the credit and paid this quarter. See instructions 2
3 Total qualified family leave wages eligible for the credit and paid this quarter. See instructions 3
4 Add lines 1, 2, and 3 4
5 Total amount by which you have already reduced your federal employment tax deposits for these credits for this quarter 5
6 Total advanced credits requested on previous filings of this form for this quarter 6
7 Add lines 5 and 6 7
8 Advance requested. Subtract line 7 from line 4. If zero or less, don't file this form 8
39 Form 7200 Errors | Stakeholder Liaison April 10, 2020

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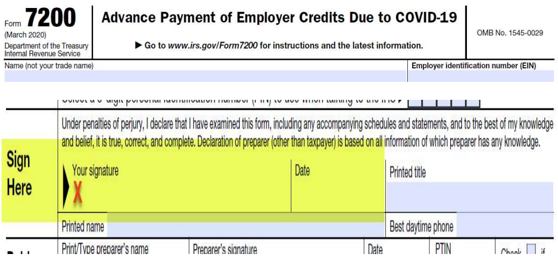
IRS

Don't forget to sign!


Form 7200 (March 2020) Department of the Treasury Internal Revenue Service

Advance Payment of Employer Credits Due to COVID-19

▶ Go to www.irs.gov/Form7200 for instructions and the latest information.

OMB No. 1545-0029

Name (not your trade name) | Employer identification number (EIN)

Under penalties of perjury, I declare that I have examined this form, including any accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here | Your signature X | Date | Printed title

Printed name | Best daytime phone

Print/Type preparer's name | Preparer's signature | Date | PTIN

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IRS

Resources

FAQs: Employee Retention Credit under the CARES Act

IR-2020-62, March 31, 2020 IRS: Employee Retention Credit available for many businesses financially impacted by COVID-19

Form 7200, Advance Payment of Employer Credits Due to COVID-19

Relief from Penalty for Failure to Deposit Employment Taxes

Publication 5419

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IRS

Employment Tax Deferral

- Defer deposit and payment of the employer's share of Social Security taxes without penalty.
- Payroll tax deferral period:
  March 27, 2020 thru December 31, 2020.

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Who may defer employment tax deposits?

- All employers
- Self Employed Individuals.
- PPP loan recipients

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Coordination with other credits

- Employee Retention Credit
- Paid Leave Credit

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Applicable dates for deposits

- December 31, 2021, 50 % of the deferred amount;
- December 31, 2022, 50% of the remaining amount.

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Thank You

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(804) 916-3892

46 Form 7200 Errors | Stakeholder Liaison Date

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