CAREtoTALK
First to Know, First to Grow

Employee Retention Credit: Eligible employers can receive a refund of up to $5,000 per eligible employee in 2020 and up to $7,000 per eligible employee per qualifying quarter in 2021

In this CAREtoTALK, our presenter will be sharing what you need to know about the Employee Retention Tax Credit and how it can be beneficial for you. Learn how you can use tax credit that is available to help incentivize employee retention. Register for this CAREtoTALK to know if you are eligible for Employee Retention Credit (ERC) and how you can use it to your advantage.

DATE	TIME
January 26, 2023	10:00 -11:00 AM

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CAREtoTALK

First to Know, First to Grow

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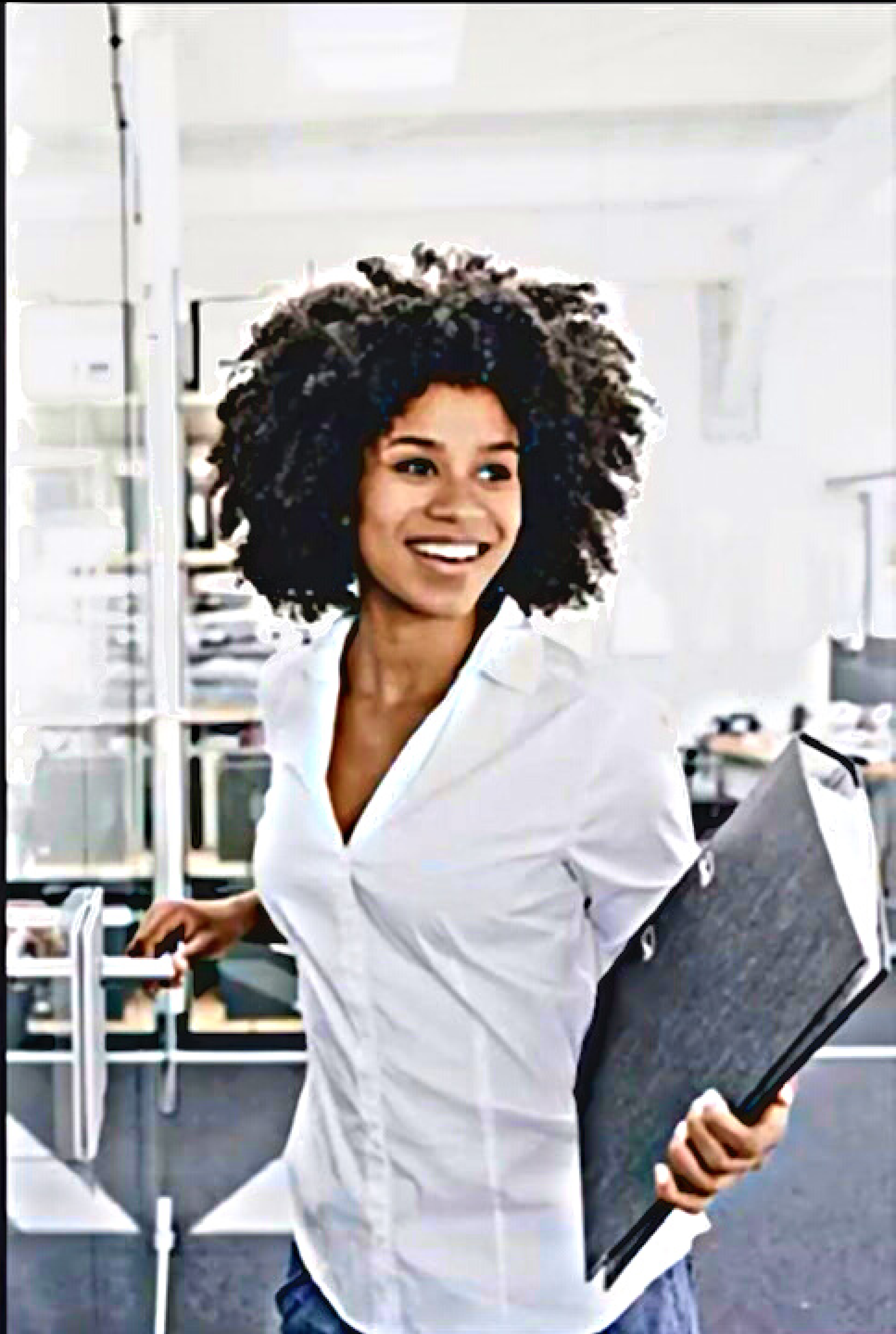
What is Employee Retention Tax Credit?

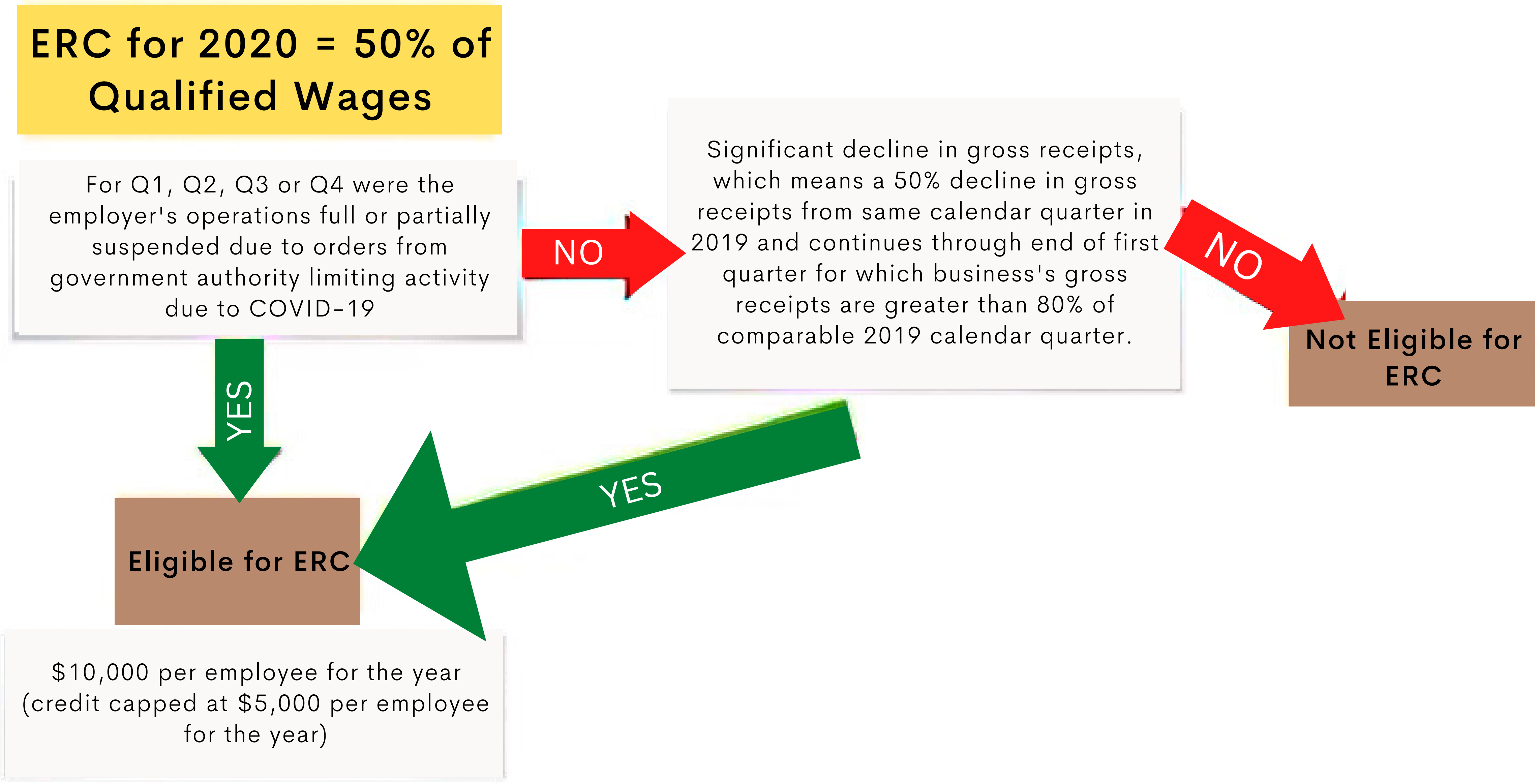
- The Employee Retention Credit (ERTC) is a tax credit intended to encourage business owners to keep their employees on the payroll and minimize the number of workers filing for unemployment benefits.



ERC Period

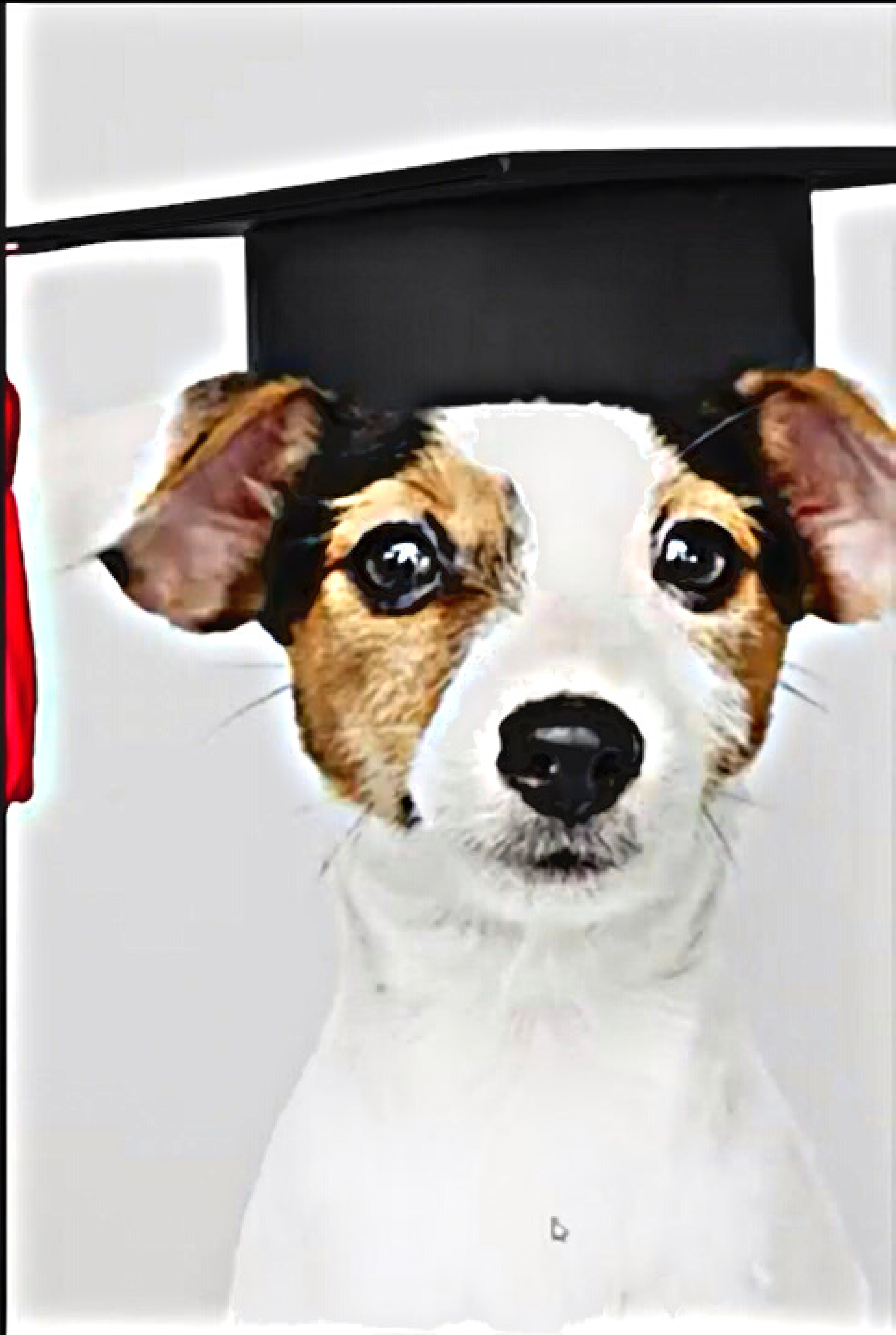
- CARES Act (CARES)
  - March 12th, 2020 to December 31st, 2020
- Consolidated Appropriations Act (CAA)
  - January 1st, 2021 to June 30th, 2021
- American Rescue Plan Act (ARPA)
  - July 1st, 2021 to December 31st, 2021

2020 Employee Retention Credit (ERC) Flow Chart



How to Qualify as an Eligible Employer 2020

- For Q1, Q2, Q3 or Q4 were the employer's operations full or partially suspended due to orders from government authority limiting activity due to COVID-19.
- Experienced a significant decline in gross receipts, defined as less than 50% of gross receipts for the same calendar quarter in 2019.



Basic Info for 2020

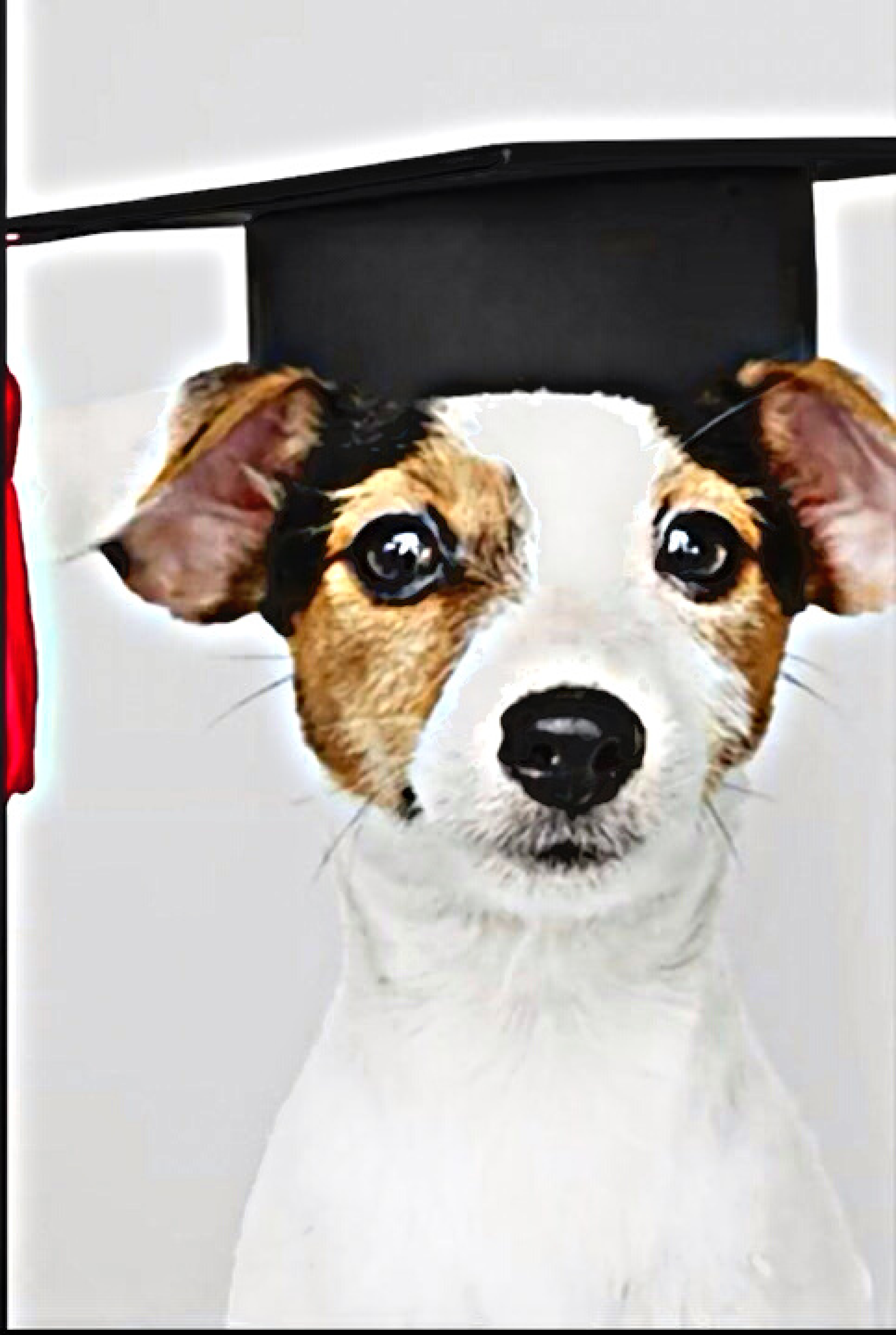
- For 2020, the tax credit is equal to 50% of qualified wages not to exceed $10,000 eligible employers pay their employees in a calendar quarter. Note- excludes wages of greater than 50% owners or wages utilizing PPP funds
- Gross wages should be reduced by PPP forgiveness. No double dipping but otherwise wages paid count.
- Don't forget about health insurance benefits

Potential Credit for 2020

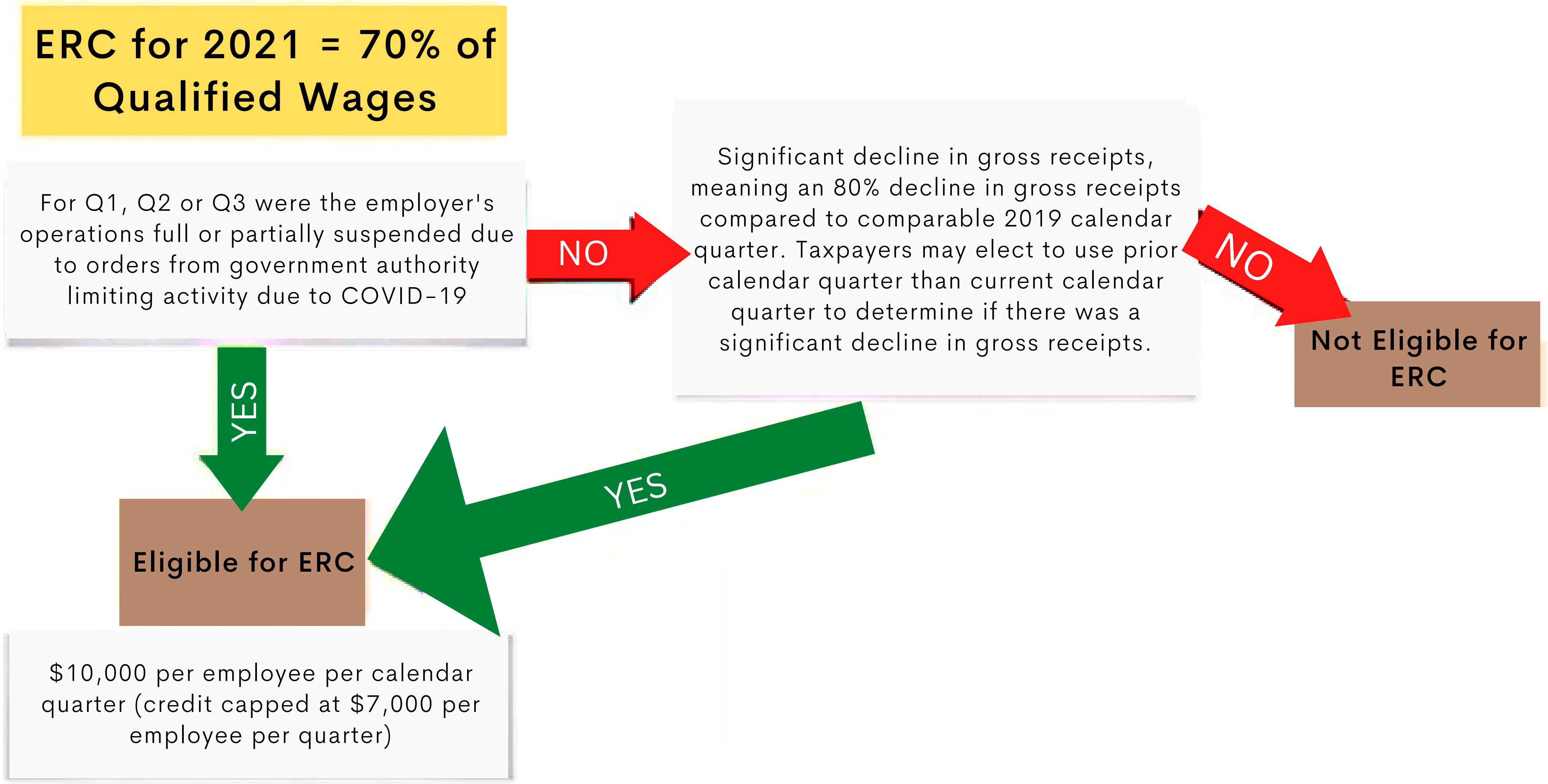
- Qualified employers can receive a maximum credit of $5,000 per employee.

How to Qualify as an Eligible Employer 2021

- For Q1, Q2, or Q3 employer's operations were full or partially suspended due to orders from government authority limiting activity due to COVID-19.
- Experienced a significant decline in gross receipts defined as less than 80% of gross receipts for the same calendar quarter in 2019
- Qualified Recovery Start Up- Q3 & Q4. Maximum credit $50,000 per quarter
- Note the difference between suspended operations, which only qualifies wages during suspension period and significant decline in revenue which allows wages for the entire quarter to be included



2021 Employee Retention Credit (ERC) Flow Chart



Potential Credit for 2021

- Qualified employers can earn a maximum credit of $7,000 per employee per quarter (or $21,000 per employee for the year).
- Different rules if you are a Qualified Recovery Startup

February 23, 2022 / Article / 3 min read

Authors: Amy Forester, Robert Long

Many senior living and long-term care organizations may have overlooked eligibility for the employee retention credit. A closer look at a government-mandated partial suspension of operations, as well as the definition of "small employer," could result in savings. Here's how.

Many senior living and long-term care organizations may have overlooked a potential benefit that may be available to them through COVID-19 relief legislation enacted in 2020. The employee retention credit (ERC) is available to certain employers who have experienced a significant decline in gross receipts or whose operations have suffered due to government orders. For employers with fewer than 500 full-time employees who meet one of these criteria, the credit can be particularly valuable, as it's calculated based on wages paid to all employees throughout a considerable part of the pandemic period in 2021.

A significant number of senior living and long-term care organizations may have computed the gross receipts reduction test and concluded that they wouldn't qualify. However, organizations may also qualify if they experienced a negative impact on their business as a result of a full or partial suspension of operations induced by government orders. Many also concluded that they wouldn't qualify as "small employers" under the rules, making them ineligible for the most valuable parts of the credit. In fact, a closer look at the ownership structures of individual facilities within a broader group could result in a

Owners of essential businesses might assume their companies are ineligible for employee retention credits (ERC) because they neither met the revenue decline thresholds nor experienced a suspension of operations due to a government order.

However, in a little-known exception, the IRS allows essential businesses to claim ERCs if more than a "nominal portion" of a non-essential portion of their business operations was suspended by a governmental order. In Notice 2021-20, the IRS defines "nominal" as less than 10%.

EXECUTIVE DEPARTMENT
STATE OF CALIFORNIA

EXECUTIVE ORDER N-33-20

WHEREAS on March 4, 2020, I proclaimed a State of Emergency to exist in California as a result of the threat of COVID-19; and

WHEREAS in a short period of time, COVID-19 has rapidly spread throughout California, necessitating updated and more stringent guidance from federal, state, and local public health officials; and

WHEREAS for the preservation of public health and safety throughout the entire State of California, I find it necessary for all Californians to heed the State public health directives from the Department of Public Health.

NOW, THEREFORE, I, GAVIN NEWSOM, Governor of the State of California, in accordance with the authority vested in me by the State Constitution and statutes of the State of California, and in particular, Government Code sections 8567, 8627, and 8665 do hereby issue the following Order to become effective immediately:

Qualified Wages: Exclusions of certain wages

- Wages paid by other federal covid programs. (ie. PPP)
- Wages of majority owners' relatives
- Majority owners: constructive ownership

59. Are wages paid by an employer to employees who are related individuals considered qualified wages?

No. Wages paid to related individuals, as defined by section 51(i)(1) of the Internal Revenue Code (the "Code"), are not taken into account for purposes of the Employee Retention Credit. A related individual is any employee who has of any of the following relationships to the employee's employer who is an individual:

- A child or a descendant of a child;
- A brother, sister, stepbrother, or stepsister;
- The father or mother, or an ancestor of either;
- A stepfather or stepmother;
- A niece or nephew;
- An aunt or uncle;
- A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.

In addition, if the Eligible Employer is a corporation, then a related individual is any person that bears a relationship described above with an individual owning, directly or indirectly, more than 50 percent in value of the outstanding stock of the corporation.

If the Eligible Employer is an entity other than a corporation, then a related individual is any person that bears a relationship described above with an individual owning, directly or indirectly, more than 50 percent of the capital and profits interests in the entity.

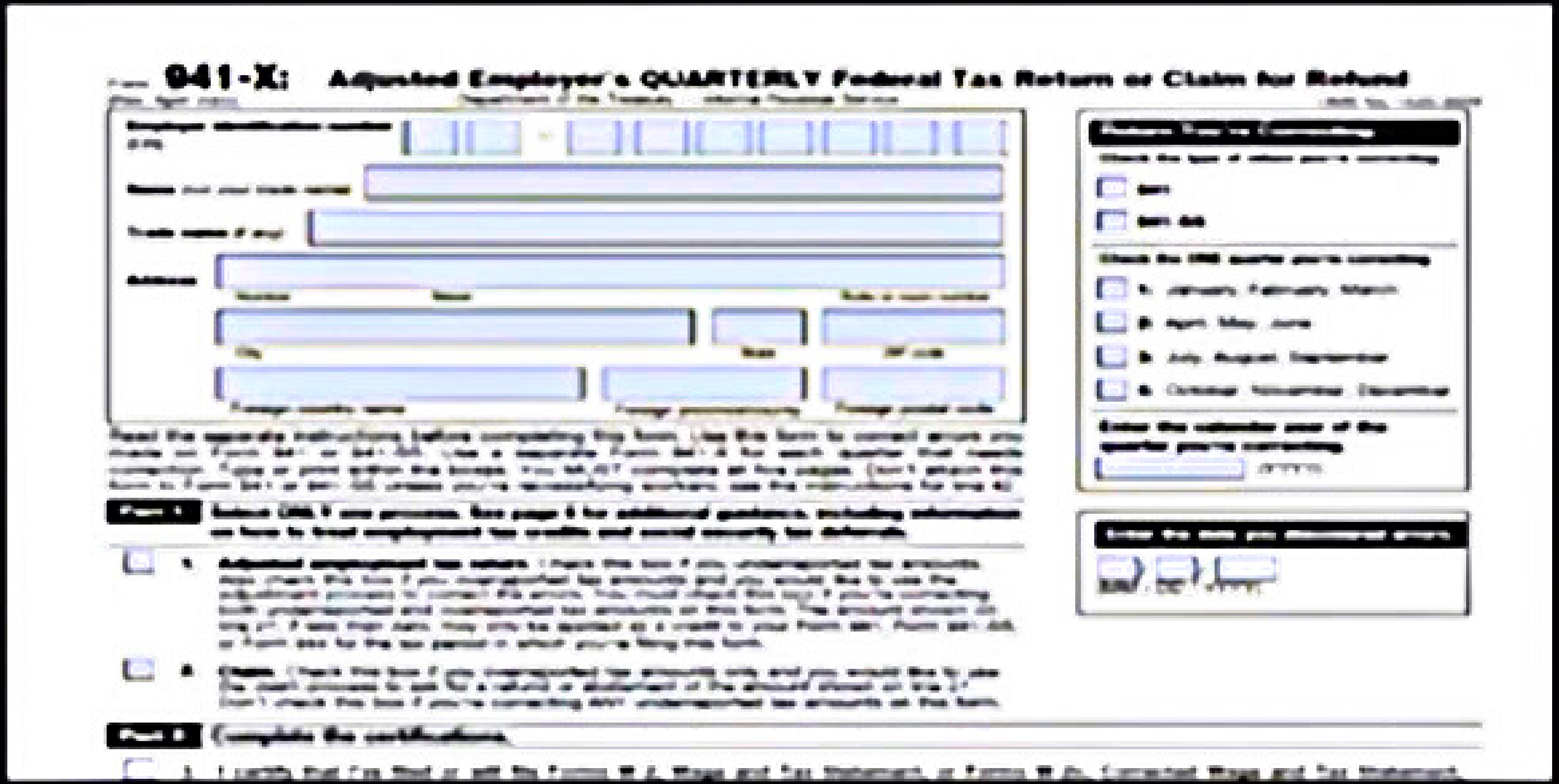
If the Eligible Employer is an estate or trust, then a related individual includes a grantor, beneficiary, or fiduciary of the estate or trust, or any person that bears a relationship described above with an individual who is a grantor, beneficiary, or fiduciary of the estate or trust.

WHAT IS NEEDED FROM THE BUSINESS OWNER?

- 941’s
- Payroll summary reports
- Basic PPP info

What is IRS Form 941, 941X?

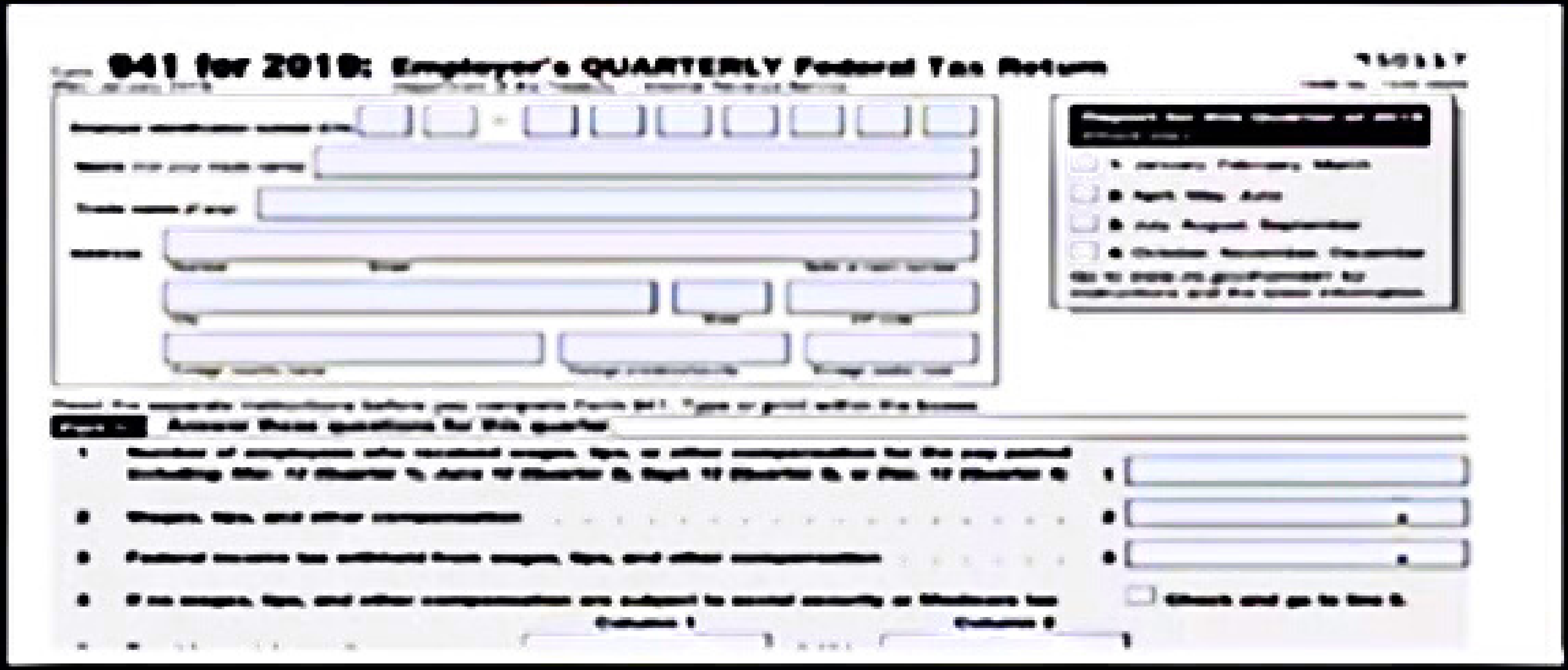
Form 941, in a nutshell, is a document the IRS requires employers to file quarterly. It's designed to help the IRS and employers, themselves, figure out how much income tax and Federal Insurance Contribution Act (FICA) tax a small business owes to the federal government, on a quarterly basis. 941 is the regular form but for obtaining the credit will need to use 941X or Form 7200


941-X: Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund

What's reported on Form 941:
Income and FICA tax withholding, plus the employer's share

When it's filed: Quarterly

Who needs to file: Most employers in the U.S.


941 for 2019: Employer's QUARTERLY Federal Tax Return

Form **941-X:** **Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund**
(Rev. April 2022)
Department of the Treasury — Internal Revenue Service
OMB No. 1545-0029

Employer identification number (EIN) ☐☐ – ☐☐☐☐☐☐☐

Name *(not your trade name)* ____________________

Trade name *(if any)* ____________________

Address ____________________
Number Street Suite or room number
____
City State ZIP code
____
Foreign country name Foreign province/county Foreign postal code

Return You're Correcting...

Check the type of return you're correcting.

☐ **941**

☐ **941-SS**

Check the ONE quarter you're correcting.

☐ **1:** January, February, March

☐ **2:** April, May, June

☐ **3:** July, August, September

☐ **4:** October, November, December

Enter the calendar year of the quarter you're correcting.

☐ (YYYY)

Enter the date you discovered errors.

☐ / ☐ / ☐
(MM / DD / YYYY)

Read the separate instructions before completing this form. Use this form to correct errors you made on Form 941 or 941-SS. Use a separate Form 941-X for each quarter that needs correction. Type or print within the boxes. You MUST complete all five pages. Don't attach this form to Form 941 or 941-SS unless you're reclassifying workers; see the instructions for line 42.

Part 1: Select ONLY one process. See page 6 for additional guidance, including information on how to treat employment tax credits and social security tax deferrals.

☐ **1. Adjusted employment tax return.** Check this box if you underreported tax amounts. Also check this box if you overreported tax amounts and you would like to use the adjustment process to correct the errors. You must check this box if you're correcting both underreported and overreported tax amounts on this form. The amount shown on line 27, if less than zero, may only be applied as a credit to your Form 941, Form 941-SS, or Form 944 for the tax period in which you're filing this form.

☐ **2. Claim.** Check this box if you overreported tax amounts only and you would like to use the claim process to ask for a refund or abatement of the amount shown on line 27. Don't check this box if you're correcting ANY underreported tax amounts on this form.

Part 2: Complete the certifications.

☐ **3. I certify that I've filed or will file Forms W-2, Wage and Tax Statement, or Forms W-2c, Corrected Wage and Tax Statement, as required.**

Note: If you're correcting underreported tax amounts only, go to Part 3 on page 2 and skip lines 4 and 5. If you're correcting overreported tax amounts, for purposes of the certifications on lines 4 and 5, Medicare tax doesn't include Additional Medicare Tax. Form 941-X can't be used to correct overreported amounts of Additional Medicare Tax unless the amounts weren't withheld from employee wages or an adjustment is being made for the current year.

QUESTIONS?