

Employee Retention Credit 2020 vs. 2021 Comparison

The recently passed Consolidated Appropriations Act of 2021 (CAA 2021) expanded the Employee Retention Credit (ERC) initially created by the CARES Act and extended the credit through June 30, 2021. The American Rescue Plan Act has since extended the credit through December 31, 2021. As a result, many more employers will now qualify to take advantage of the credit.

Here is ATKG's comparison of the 2020 and 2021 provisions.

	2020	2021
Requirements to Qualify	Employers whose operations were fully or partially suspended by a COVID-19 government order; or businesses whose 2020 gross receipts for a quarter were less than 50% of gross receipts for the same quarter in 2019.	Employers whose operations were fully or partially suspended by a COVID-19 government order; or businesses whose 2021 gross receipts for a quarter are less than 80% of gross receipts for the same quarter in 2019.
Credit Amount	50% of up to \$10,000 qualifying wages and health benefits per employee. The maximum credit is \$5,000 per employee.	70% of up to \$10,000 qualifying wages and health benefits per employee per quarter . The new maximum credit for 2021 is \$7,000 per employee for each quarter of 2021 (\$28,000 total for the year).
PPP Impact	PPP borrowers were originally not eligible to take the credit. The CAA 2021, eliminated this rule. PPP borrowers are eligible to take the credit for 2020 but may not claim the credit on the same wages used in the application for PPP loan forgiveness.	PPP borrowers are eligible to take the credit for 2021 but may not claim the credit on the same wages used in the application for PPP loan forgiveness.
Employer Size	Employers with 100 or fewer full-time employees in 2019 can take the credit for all wages. Employers with more than 100 employees may only take the credit for employees that are not performing services.	Employers with 500 or fewer full-time employees in 2019 can take the credit for all wages. Employers with more than 500 employees may only take the credit for employees that are not performing services.

This chart is only a summary and is based on the guidance that has been issued through 5/18/21. For a more detailed explanation of the employee retention credit and how your business can qualify, please contact your tax advisor. Additional information may be found on the IRS website at:

<https://www.irs.gov/coronavirus/employee-retention-credit>.