



**MOORMAN, HARTING & COMPANY**  
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## **Consolidated Appropriations Act, 2021 Makes Employee Retention Credit Available to More Taxpayers**

The original Employee Retention Credit was created by the CARES Act in March 2020. Because this credit was not available to taxpayers that received loans from the Paycheck Protection Program (PPP), many taxpayers were not eligible to claim this credit.

On December 27<sup>th</sup>, President Trump signed the Consolidated Appropriations Act, 2021 (CAA) into law. Under the act, the Employee Retention Credit was extended to June 30, 2021. In addition, the Act made taxpayers who previously received a PPP loan eligible to claim the credit retroactive to 2020.

In order to be eligible to claim the credit for 2020, the taxpayer must have either been shut down by government order or experienced a decrease in gross revenues (sales) of at least 50% in a quarter of 2020 in comparison to the same quarter of 2019. The credit is calculated as 50% of qualified wages paid, with a maximum credit of \$5,000 per employee. While taxpayers who received a PPP loan are now eligible to also claim the Employee Retention Credit, PPP forgiveness and the credit cannot be claimed on the same dollars of payroll cost.

Beginning in January 2021, the eligibility requirements and the calculation of the credit are modified. In order to be eligible to claim the credit for 2021, the taxpayer must have either been shut down by government order or experienced a decrease in gross revenues (sales) of at least 20% in a quarter of 2021 in comparison to the same quarter of 2019. For 2021, the credit is calculated as 70% of qualified wages paid. Maximum wages per employee eligible for the credit is limited to \$10,000 per quarter. Again, taxpayers who received 2<sup>nd</sup> draw PPP loans are still eligible to claim this credit. However PPP forgiveness and the credit cannot be claimed on the same dollars of payroll cost.

For both 2020 and 2021 credit calculations, qualified wages represent either a) wages paid during a government ordered shutdown, or b) all wages paid in the quarter of the required decrease in receipts and wages paid in subsequent quarters until the end of a quarter in which the taxpayer's gross receipts have returned to at least 80% of the same quarter gross receipts in 2019.

This represents a brief summary of the changes that were made to the Employee Retention Credit. If you believe that you may qualify for this credit or if you have further questions, please give us a call in our Celina or Coldwater offices.