

5 Ways to Calculate the Employee Retention Credit

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ERC / ERTC FINANCIAL SERIES

CLAIM UP TO A \$26,000
REFUND PER EMPLOYEE



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5 WAYS TO CALCULATE THE EMPLOYEE RETENTION CREDIT

Here are the Top 5 Ways to Calculate the Employee Retention Tax Credit:

1. How to Calculate Employee Retention Credit?

Calculating the employee retention credit is simple yet complicated. All you need is to understand its ways of calculation minutely.

Businesses are eligible to claim credit for both the years 2020 and 2021. In 2020, the credit was increased to 50% of eligible employees paid in a year after March 12, 2020, and before January 1, 2021. Any employers with a maximum of \$10,000 wages were eligible.

Similarly, for 2021, the retention credit is capped at 70 % of qualified employers from January 1, 2021, to December 31, 2021. However, the maximum credit is allowed up to \$10,000 a credit. So an employer can claim a total credit of \$28,000 for the year 2021.

["Employee Retention Credit: How to Calculate?"](#) from DisasterLoanAdvisors.com shared this strategy to calculate the ERC.

2. Calculating the Employee Retention Credit

For 2020, the Employee Retention Credit is equal to 50% of qualified employee wages paid in a calendar quarter. The credit applies to wages paid after March 12, 2020, and before January 1, 2021. Eligible wages per employee max out at \$10,000, so the maximum credit for eligible wages paid to any employee during 2020 is \$5,000.

For 2021, the Employee Retention Credit is equal to 70% of qualified employee wages paid in a calendar quarter.

Eligible wages per employee max out at \$10,000 per calendar quarter in 2021, so the maximum credit for eligible wages paid to any employee during 2021 is \$28,000.

The calculations can be tricky. Our Tax Credit Estimator above takes care of the estimation for you. Here's what you need to do:

1. Confirm whether you had employees at some point in 2020 or 2021.
2. Establish whether you experienced a qualifying closure.
3. Compare business revenue in 2019 to the period for which ERC is claimed.
4. Enter qualified wages and health plan expenses paid during the period for which you qualify.
5. Learn more about your estimated Employee Retention Credit.

["How to calculate the Employee Retention Credit"](#) from QuickBooks. Intuit.com shared these tips to calculate the ERTC.

3. Employee Retention Credit Calculation

A simple example can be one of the easiest approaches to illustrate this credit estimation. However, you should still consult with your accountant before determining the appropriate ERC calculation for your situation. In this sample, let's assume your business has fewer than 500 employees.

Grass Receipts Test: Q1

2021: \$80,000

2019: \$140,000

%Obtained: 60.0%

Grass Receipts Test: Q2

2021: \$85,000

2019: \$140,000

%Obtained: 63.3%

This business will surely qualify for the ERC 2021 program in both Q1 and Q2. If its gross receipts for each quarter in 2021 are less than 80% of what they were in 2019.

RecognizeApp.com shared this form to calculate the ERC on "[Employee Retention Credit Calculation - How to Calculate](#)".

4. How Do I Calculate The ERC

The 2021 COVID-19 employee retention credit is equal to 70% of qualified wages. The maximum amount of qualified wages for any one employee per quarter is limited to \$10,000 (including qualified health plan expenses), with maximum credit for a quarter with respect to any employee of \$7,000 (for a total credit of \$28,000 per employee for the calendar year 2021).

This strategy to calculate the ERC came from TaxThomsonreuters.com's "[Employee Retention Credit](#)".

5. What Wages Qualify When Calculating The Retention Credit?

Wages/compensation, in general, that are subject to FICA taxes, as well as qualified health expenses qualify when calculating the employee retention credit. These must have been paid after March 12, 2020, and qualify for the credit if paid through Sept. 30, 2021 (Recovery Startup Businesses have until Dec. 31, 2021).

Remember, the credit can only be taken on wages that are not forgiven or expected to be forgiven under PPP.

When determining the qualified health expenses, the IRS has multiple ways of calculating them depending on circumstances. Generally, they include the employer and employee pretax portion and not any after-tax amounts.

Paychex.com shared this strategy to calculate the ERC in "[The Employee Retention Tax Credit Program Has Closed But Businesses Can Retroactively Claim Credit](#)".

How to Calculate the Employee Retention Credit in 2022?

Pro Tip: Before you file an IRS claim to receive the Employee Retention Tax Credit, be sure to consult with a professional ERC / ERTC Consultant on how to receive up to a \$26,000 refund per employee for your business from the 2020 and 2021 tax years.

Depending on eligibility, business owners and companies can receive up to \$26,000 per employee based on the number of W2 employees you had on the payroll in 2020 and 2021. Good news is that you have three years to file an amended IRS Form 941-X to claim the tax credit owed to you.

Schedule Your Free [Employee Retention Credit Consultation](#) to see the maximum amount of employee retention tax credits your company qualifies for.

Disaster Loan Advisors can assist your business with the complex and confusing Employee Retention Credit (ERC) and Employee Retention Tax Credit (ERTC) programs.



Schedule Your [Employee Retention Credit Consultation](#) to see what amount of employee retention tax credit your company qualifies for.

EMPLOYEE RETENTION TAX CREDIT (ERC / ERTC) HELP: CLAIM UP TO A \$26,000 REFUND PER EMPLOYEE FOR YOUR BUSINESS

Disaster Loan Advisors™ can **assist your business with the complex and confusing** Employee Retention Tax Credit (ERTC) and Employee Retention Credit (ERC) program.

Depending on eligibility, business owners and companies can **receive up to \$26,000 per employee** based on the number of W2 employees you had on the payroll in 2020 and 2021.

The ERC / ERTC Program is a **valuable tax credit you can claim**. This is money you have already paid to the IRS in payroll taxes for your W-2 employees.

Done correctly, **these tax credits or cash refunds can be retroactively claimed for up to 3 years**.

It's encouraged that business owners **obtain professional assistance in going through the complex 941-X amended filing process** to help your company **maximize** the full value of the ERC / ERTC program.



4/15/24 is the Deadline to Amend the 2020 Tax Year.
4/15/25 is the Deadline to Amend the 2021 Tax Year.



Schedule Your [Employee Retention Credit Consultation](#)
to see what amount of employee retention tax credit your company qualifies for.

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<https://www.DisasterLoanAdvisors.com/contact>

**EMAIL + WEBSITE:**

support@disasterloanadvisors.com
DisasterLoanAdvisors.com

**PHONE:**

877-463-9777 toll-free
702-997-1222 main

**CORPORATE MAILING ADDRESS:**

Disaster Loan Advisors™ (DLA)
a 7 Figure PR™ Brand Company
9030 W Sahara Ave # 400
Las Vegas, Nevada 89117

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