

7 Ways to Determine Qualified Wages for the Employee Retention Credit

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7 WAYS TO DETERMINE QUALIFIED WAGES FOR THE EMPLOYEE RETENTION CREDIT

Here are the Top 7 Ways to Determine Qualified Wages for the Employee Retention Credit:

1. What Wages Qualify for the Employee Retention Credit?

Employers can get a refundable payroll tax credit of up to \$26,000 per W-2 employee through the Employee Retention Credit (ERC). The ERC, which is available under the CARES Act to businesses affected by COVID-19, has proven to be a lifeline for numerous businesses around the USA.

Currently, many employers are either unaware of the ERC or assume they do not qualify since they have taken the PPP (Paycheck Protection Program), which is a widespread fallacy. This is totally false. You may still be eligible for the ERC if you received the maximum credit of PPP from social security, but you will not be able to double-dip on those wages when figuring the ERC. The number of employees on the payroll of an eligible company as well as a recovery startup business determines the definition of qualifying wages and qualified health plan expenses.

This way to determine qualified wages came from DisasterLoanAdvisors.com's "[What Wages Qualify for the Employee Retention Credit?](#)".

2. What are Qualified Wages?

Qualified wages are wages (as defined in section 3121(a) of the Internal Revenue Code (the "Code")) and compensation (as defined in section 3231(e) of the Code), both determined without regard to the contribution and benefit base (as determined under section 230 of the Social Security Act), paid by an Eligible Employer to some or all of its employees after March 12, 2020, and before January 1, 2021.

Qualified wages include the Eligible Employer's qualified health plan expenses that are properly allocable to the wages.

The specific circumstances in which wage payments by an Eligible Employer will be considered qualified wages depend, in part, on the average number of full-time employees it employed during 2019.

For an Eligible Employer that averaged more than 100 full-time employees in 2019, qualified wages are the wages paid to an employee for time that the employee is not providing services due to either (1) a full or partial suspension of the employer's business operations by a governmental order, or (2) the business experiencing a significant decline in gross receipts.

For an Eligible Employer that averaged 100 or fewer full-time employees in 2019, qualified wages are the wages paid to any employee during any period in the calendar quarter in which the business operations are fully or partially suspended due to a governmental order or any calendar quarter the business is experiencing a significant decline in gross receipts.

IRS.gov's "[COVID-19-Related Employee Retention Credits: Determining Qualified Wages FAQs](#)" shared this way to determine qualified wages.

3. Qualified Wages for the Employee Retention Credit

The definition of qualified wages depends on how many employees an eligible employer has.

If an employer averaged more than 100 full-time employees during 2019, qualified wages are generally those wages, including certain health care costs (up to \$10,000 per employee) paid to employees not providing services because operations were suspended or due to the decline in gross receipts.

These employers can only count wages up to the amount the employee would have paid for working an equivalent duration during the 30 days immediately preceding the period of economic hardship.

If an employer averaged 100 or fewer full-time employees during 2019, qualified wages are those wages, including health care costs (up to \$10,000 per employee) paid to any employee during the period operations were suspended or the period of the decline in gross receipts, regardless of whether or not its employees are providing services.

IRS.gov's "[Employee Retention Credit](#)" shared this way to determine qualified wages.

4. What Wages Qualify When Calculating The Retention Credit?

In general, wages/compensation 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 Dec. 31, 2021. Remember, the credit can only be taken on wages that are not forgiven or expected to be forgiven under PPP or used for any other types of credits that are determined using wages.

Qualified health expenses, generally include the employer and employee pretax portion and not any after-tax amounts. Also, when determining the qualified wages that can be included, an employer must first identify the number of full-time employees.

For the purposes of the employee retention credit, a full-time employee is defined as one that in any calendar month in 2019 worked at least 30 hours per week or 130 hours in a month and is based on the employer shared responsibility provision in the ACA.

"[What you need to know about the Employee Retention Credit](#)" from UC.Edu shared this way to determine qualified wages.

5. Qualified Wages

The number of full-time employees you averaged in 2019 determined which employees you could claim for the credit, depending on the year.

For 2020, if you averaged more than 100 full-time employees, only wages for those you retained who are not working could be claimed.

If you had 100 or fewer workers, you could claim wages for all employees whether or not they are working.

For 2021, the threshold was raised to 500 full-time employees, meaning that if you employed more than 500 people, you could only claim the ERC for those who are not providing services. If you have 500 or fewer employees, you could claim the ERC for all of them, working or not.

Investopedia.com's "[The End of the Employee Retention Credit: How Employers Should Proceed](#)" shared this way to determine qualified wages for the ERC.

6. What Wages Qualify?

Compensation and wages paid by a company to full-time employees during the relevant quarter are known as "qualified wages". These wages include any health plan expenses incurred by the employer that are correctly allocated to the wages.

So, for ERC in 2021, the credit stands at 70% of eligible wages or qualified wages up to a quarterly cap of \$10,000, or a max of \$7,000 for every employee each quarter for the remainder of 2021. Thus, an employee may claim up to \$7,000 each quarter or up to \$28,000 in 2021.

This way to determine qualified wages for ERC came from Recognize-App.com's "[Employee Retention Credit Calculation - How to Calculate](#)".

7. Calculation of the Credit

The amount of the credit is 50% of the qualifying wages paid up to \$10,000 in total. It is effective for wages paid after March 13th and before December 31, 2020. The definition of qualifying wages varies by whether an employer had, on average, more or less than 100 employees in 2019.

Less than 100. If the employer had 100 or fewer employees on average in 2019, then the credit is based on wages paid to all employees whether they actually worked or not. In other words, even if the employees worked full time and got paid for full time work, the employer still gets the credit.

Greater than 100. If the employer had more than 100 employees on average in 2019, then the credit is allowed only for wages paid to employees who did not work during the calendar quarter.

In both cases, “wages” includes not just cash payments but also a portion of the cost of employer provided health care.

Home.Treasury.gov shared this way to determine qualified wages on [“Employee Retention Tax Credit: What You Need to Know”](#).

How to Determine Qualified Wages For 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.

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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.

As seen on...

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