

# All About the **Employee Retention Credit Startup**

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## **ERC / ERTC FINANCIAL SERIES**

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



# ALL ABOUT THE EMPLOYEE RETENTION CREDIT STARTUP

The Employee Retention Credit (ERC) has saved the lives of many pandemic-affected businesses. The federal CARES Act's passage resulted in the ERC's enactment in March 2020, where the primary motive was to target startup businesses.

When the drop in sales happens, companies that had a decline in sales in 2020 or 2021 compared to 2019 are eligible for a payroll tax credit of up to \$7k per employee every quarter.

Since the ERC was implemented with CARES Act to help several startup businesses, the qualifying standards have changed, and they have changed again with the Infrastructure Investment and Jobs Act (IIJA) passage.

## What is the Employee Retention Credit?

The ERC is one of the most popular tax incentives put out by Congress to aid companies in the pandemic.

But unfortunately, when the CARES Act introduced the ERC, middle-market employers paid little attention since they were more interested in Paycheck Protection Program (PPP) loans.

However, bigger businesses (those with more than 500 workers) were often ineligible for PPP loans and had to rely on ERC benefits if they paid their workers to take time off.

Check out [How Does Employee Retention Credit Work](#).

## ERC for Recovery Startup Businesses

Since the credit's establishment in April 2020 under the Coronavirus Aid, Relief, and Economic Security, the Employee Retention Tax Credit program has undergone constant changes. In addition, the ARPA and the CA Act, 2021, have changed the termination date of the [ERTC program](#) many times.

A Recovery Startup that is no longer required to close its doors or reduce its gross receipts to be eligible for the ERC in the third and fourth calendar quarters of 2021 is considered a qualified employer under the amended notice.

### Employee Retention Credit Startup in 2021

**A recovery startup business is the one that:**

- Started moving on with the company on or after February 15, 2020.
- Aims to keep average yearly [gross receipts](#) around \$1 million.
- Employs a person or people (other than 50% owners).
- The employer is not eligible for the ERC.

Notably, ERC was abolished for most firms in Q4 2021 by the Infrastructure Investments and Jobs Act, which was approved in November 2021. Recovery Startup Businesses, however, were given a special exemption and would still be accepted in the fourth quarter of 2021.

Learn more about [Employee Retention Credits - A Detailed FAQ Guide](#).

### Do I Qualify for Employee Retention Credit for Startup Business?

To determine whether a taxpayer is a Recovery Startup Businesses (RSBs), the average yearly gross receipts for the three tax years ending with the tax year preceding the calendar quarter for which the ERTC is determined should not exceed \$1,000,000.

Suppose your company meets the requirements mentioned above. You are still eligible if you have one or more workers and do not meet the [criteria for the ERC](#) under the partial suspension or gross revenue decline. The maximum credit for Q3 and Q4 2021 is \$7k per employee, up to \$50k each quarter.

Check out more about [What Wages Qualify For The Employee Retention Credit](#).

## How to Claim Employee Retention Credit for Startup Business?

Most significantly, the IIJA restricted access to the ERTC to those taxpayers who were RSBs in the fourth quarter of 2021. The ERTC is thus unavailable to taxpayers who would have had complete or partially closed operations or a decrease in gross income in the fourth quarter of 2021.

**In addition, a company must satisfy a different set of requirements from the standard ERTC guidelines to be eligible to become an RSB:**

- A business or commerce was launched after February 15, 2020.
- Its average annual gross revenues are less than \$1 million for the three-tax-year period beginning with the tax year before the calendar quarter for which the ERTC is calculated.
- Due to a whole or partial suspension of activities or a decrease in gross receipts, it is otherwise not a [qualified employer](#). This prerequisite is no longer applicable as of the fourth quarter of 2021.
- The credit amount permitted for any calendar quarter for an eligible employer that is an RSB shall not exceed \$50,000. For earnings earned after June 30, 2021, but before January 1, 2022, the RSB credit could be claimed.

## Employee Retention Credit Startup Updates

Recovery Startup Businesses were given a special exemption and would still be accepted in the fourth quarter of 2021.



But, notably, ERC was abolished for most firms in Q4 2021 by the Infrastructure Investments and Jobs Act, which was approved in November 2021. So while this could be an important choice for some new businesses, it won't necessarily be the best choice for everyone.

Applying the clarified standards for firms not in existence in 2019 may allow a business that started in 2020 that satisfies the two conditions mentioned above to maximize its advantage. In addition, this enables the gross revenue decline criteria qualification to be determined by comparing the quarterly gross receipts for the quarters of 2021 and 2020.

As a result, it's critical to get advice from a professional to choose the best course of action for your business.

### **This is fantastic news for businesses that:**

- Started operating a company or conducting commerce after February 15, 2020.
- Yearly average gross receipts of little more than \$1 million.
- Hired a person or people (other than 50% owners).
- Not qualified for the ERTC under the partial/complete suspension of operations or fall in the gross receipts category.

Check out [A Comprehensive Guide on Employee Retention Tax Credit Updates](#).

## **Common Questions Asked Related to Employee Retention Credit Startup**

### **Can I Claim the Employee Retention Credit if My Business Started in 2021?**

For salaries earned after June 30, 2021, but before January 1, 2022, a recovery starting firm may still be able to claim the ERC.

In addition, by submitting a relevant adjusted employment tax return by the time specified in the corresponding form instructions, qualified employers may still [claim the ERC](#) for earlier quarters.

## **Do Startups Qualify for ERTC?**

An excellent approach for startup companies to be eligible for the ERTC is Recovery Startup Businesses.

Most recently, only taxpayers who will be RSBs in the fourth quarter of 2021 will be allowed access to the ERTC under the Infrastructure Investment and Jobs Act.

## **How Do You Calculate Employee Retention Credit for a Recovery Startup Business?**

The [non-refundable ERC](#) part for the first and second quarters of 2021 is 6.4% of the salary. This is equivalent to the Social Security tax paid by employers. If these start-ups paid \$10,000 or more in Q3/Q4, they might save \$7,000 on a tax credit. \$50,000 can be spent on this per calendar quarter. Startup businesses, presuming you have 7 or 8 people, are looking at a \$100,000 tax credit on payroll taxes, subject to meeting all other standards, with two quarters to utilize this credit.

Therefore, the most accessible approach to determining your eligibility and submitting an [application for the ERTC](#) is to get in touch with your CPA.

## **Conclusion and Summary Related to Employee Retention Credit Startup**

For most startups, ERC has a termination date that was retroactively modified to September 30, 2021, with the passage of the Infrastructure Investment and Jobs Act on November 15, 2021.

However, recovery Startup Businesses can still take advantage of the credit if they pay qualifying salaries by December 31, 2021.

It's financial assistance from the government to help owners of small businesses with one or more employees deal with the effects of COVID-19. In addition, startup businesses can benefit from employee retention credits to help recover. The credits can provide much-needed financial stability and help keep employees on board during a crisis.



**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**  
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