

Can You Get **Employee Retention Credit** and PPP Loan?

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**ERC / ERTC
FINANCIAL SERIES**

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

CAN YOU GET EMPLOYEE RETENTION CREDIT AND PPP LOAN?

Under section 206(c) of the Taxpayer Certainty and Disaster Tax Relief Act of 2020, an employer that is eligible for the employee retention credit (ERC) can claim the ERC even if the employer has received a Small Business Interruption Loan under the Paycheck Protection Program (PPP).

The eligible employer can claim the ERC on any qualified wages that are not counted as payroll costs in obtaining PPP loan forgiveness.

If you are not familiar with these programs for assisting businesses suffering a loss during the COVID-19 pandemic, keep reading. We are going to explain what each of these programs is, how to apply, and answer "Can You Get Employee Retention Credit And PPP Loan?"

PPP Loan Vs. Employee Retention Credit

The three main differences between the Payroll Protection Program (PPP) and Employee Retention Credits (ERC) are the type of funding when the business receives funding and the program's cost.

Funding Options:

A forgivable loan is provided by the [PPP](#) to a business. The loan does not need to be returned if they follow the terms of the loan, which include using the cash for payroll or rent.

The ERC is a refundable tax credit. It is paid to the company by the IRS in the form of a cheque that does not need to be returned.

When a Company Gets Funding:

The money is deposited directly into the business's bank account under the PPP. This usually occurs within a week of the loan being approved.

The ERC is a credit given to a company when it files its quarterly Form 941. When they process payroll, the credit is applied to the payroll taxes they collect from employees.

Comparison of Costs:

A firm that applies for a PPP loan incurs no upfront costs. The only expense is if you do not repay the loan in full according to the terms.

ERC is free of charge. It's a tax deduction that you claim while filing your quarterly tax return. The only cost is if you choose a service to file your tax returns for you.

Can You Get Employee Retention Credit and PPP Loan?

Getting an ERC and PPP loan depends on certain conditions which are required to be fulfilled in order for businesses to be eligible for both.

An organization that is qualified for the Employee Retention Credit might seek the ERC even if the firm has obtained a Small Business Disruption Credit via the Paycheck Protection Program, according to subsection 206(c) of the Taxpayer Certainty and Disaster Tax Relief Act of 2020.

Any qualifying earnings that are not considered payroll expenditures in getting PPP debt forgiveness can be claimed by the eligible company. Any salaries that qualify for the ERC or PPP debt forgiveness scheme can be allocated to one of these two projects alone, not both as per [Form 941-X](#).

Please disregard the "Caution" paragraph in the instructions for your employment tax return under the line commands for "Non-refundable deposit portion of Employees Retention Credit from Spreadsheet 1," even as knowledge in that paragraph is no longer correct following the passing of the Taxpayer Certainty and Disaster Tax Relief Act of 2020.

Can You Get Employee Retention Credit and PPP Loan in 2021?

In 2021, the Consolidated Appropriations Act makes it feasible for a PPP loan recipient to be eligible for ERC. When applying for each program, different wages must be utilized.

Payroll expenditures reported on a PPP application for forgiveness in 2020 are not eligible for ERC, according to the [IRS](#).

The Employee Retention Credit is available to employers who get PPP provided they meet the following criteria:

A member of the controlled group is getting PPP, while another member of the group who is not receiving PPP has applied for ERC. The PPP loan does not cover the qualifying salaries of the employer.

Qualifying wages are obtained using profits from a forgiven PPP loan, but the forgiveness is not for the same earnings as the [ERC qualifying wages](#).

Although you can not get a PPP loan after 2021 as it is no longer available.

There are some differences between the PPP and the ERC. To assess eligibility and which program will benefit your business the best, you must examine each program separately and in comparison.

Employee Retention Credit After Receiving Paycheck Protection Program

Several improvements to the ERC may bring significant assistance to your customers. The following are noteworthy changes that have an impact on small businesses:

The ERC has been extended until June 30, 2021.
Increased the credit percentage for eligible salaries from 50% to 70%.

The per-employee qualifying wage ceiling was raised from \$10,000 per year to \$10,000 per quarter.

Gross revenues are down from 50% to 20% year over year.
Employers are now permitted to consider prior-quarter gross receipts to assess eligibility.

Employers who get PPP loans may still be eligible for the ERC as of March 13, 2020, thanks to the new legislation.

Clients who received a PPP loan during the first wave of relief were previously unable to use the ERC. However, under the current legislation, a company can [apply for the ERC](#) even if it has received PPP assistance and loan forgiveness, as long as the ERC salary was not paid with PPP money. As previously stated, this modification took effect on March 13, 2020.

Am I Eligible?

Yes, you could be eligible but there are certain requirements to be eligible to get both ERC credit and PPP loan. A PPP loan is available to all small firms with 500 or fewer employees, as well as select enterprises in specified sectors with more than 500 employees.

Self-employed people, independent contractors, single proprietorships, nonprofits, veterans groups, tribal enterprises, housing cooperatives, news organizations, and rural farming cooperatives all fall under this category.

Employers of any size can be [eligible for the Employee Retention Credit](#), provided they satisfy the requirements.

You must have experienced one of the following in either calendar quarter in 2020 to be eligible:

Government directives connected to COVID-19 have completely or partially halted activities.

Due to the coronavirus, gross revenues or income decreased significantly.

Am I Eligible for PPP Loan?

No, the PPP loan is no more available for businesses. Although here are some of the criteria that were required for businesses to qualify for a Paycheck Protection Program loan:

On February 15, 2020, you were operational;

You have a consistent income as a self-employed individual.

You have a principal home in the United States; and

You filed or will file a Form 1040 Schedule C for 2019.

Instead, general active partners' self-employment income can be declared as a payroll expense on a PPP loan application made by or on behalf of the partnership, up to \$100,000 yearly.

Under the Act, alliances are eligible for PPP loans, as well as the Administrator has determined, after consulting with the Treasury secretary, that trying to limit collaboration and its partners to one public-private partnership loan is necessary to ensure that as many loan applicants as possible receive PPP debts well before the statutes time limit of June 30, 2020.

How Do I Apply?

You can apply for the ERC by filling out the online application document and submitting it to an authorized lender to apply for ERC. Additional documentation, such as photocopies of your company's employment tax forms and payroll ledgers, will be required at the time of applying for the loan. You cannot apply for a PPP loan anymore as it is no more officially available for businesses.

How Do I Apply for PPP Loan?

Here was the steps to apply for a PPP loan to apply for it:

Getting into your PPP account:

You will be sent a PPP application when you submit a PPP loan request on the SBA [website](#). If you recently submitted your request, you should already be on this page. After providing all the information and receiving all of the required information and papers, your application will be processed and sent to PPP.

Update or add new corporate information:

Ensure that this part is entirely completed. There will be a few sections to pay careful attention to. Address for business: Verify the address, including the 5-digit zip code, should be correct.

Additional Owner Information: Enter or Confirm:

Then, for any other owners, put in or double-check any relevant information. You must provide information to anybody with a 20% or more investment in the firm.

All elements of the “Additional Owner” page must be completed, including the date of birth.

How Do I Apply for Employee Retention Credit?

Employee Retention Credit: Instead of submitting contributions with the IRS, you can keep them and lower your tax responsibilities. Use Forms 941, 944, or 943 to claim a refund on your federal hiring tax return.

To make [applying for Employee Retention Credit](#) as straightforward as possible, simple steps are compiled.

Getting the Basics of Business Information:

The ERC is open to all firms in the United States, although not all enterprises will qualify. As a result, you'll need to consult with your accountant or CPA to see if your company qualifies for this Employee Benefit Credit for the practical qualification.

Payroll Information Collection:

The ERC application will now go to the next round. Employers who qualify for the Employee Retention Credit must contribute to the employee's gross compensation for each quarter in 2020 and 2021.

Obtaining Documents for PPP Loans:

You must gather information on any PPP loans you have taken, including the date the PPP loan was granted and the loan amount. Then, using your PPP loan papers, you can figure out how much you can get in ERCs.

Obtaining Revenue Information from Sales:

To be eligible for the Employee Retention Credit, you must have sales income from 2019 to 2020.

The amount of your ERC is determined by your net income, loss, and the number of full-time employees you have. This section does not apply to you if your organization has fewer than 100 employees.

Employee Retention Credit and PPP Loan Requirements

Employers who have acquired a reduction in gross revenues or have been forced to cease operations owing to government orders linked to COVID-19 are eligible for the Employee Retention Credit.

Despite the fact that both programs target the same issue of employee retention, there are a few critical characteristics that distinguish them. The PPP allows more freedom in terms of how enterprises might use loan revenues, which is perhaps the most noteworthy distinction.

To be eligible for the PPP, enterprises must have experienced a drop in gross receipts of more than 25% as compared to the same quarter the previous year.

To be eligible for the Employee Retention Credit, they must have suffered a fall in gross revenue of more than 50% when contrasted to the same quarter the previous year.

ERTC and PPP Strategy

Although both the PPP as well as the ERTC provide tax-free cash, there are certain tax variations between the two programs that you should be aware of before determining how to continue.

The following are the key tax differences between Paycheck Protection Program (PPP) loans and the Employee Retention Tax Credit (ERTC):

On your year-end tax return, the costs paid using forgiven PPP monies are tax-deductible.

At the end of the year, the ERTC salaries used to compute the ERTC credit are not tax-deductible.

This implies that if you earn ERTC credits, you must cut your pay to compensate for the credits.

An illustration of how tax treatment may influence your company Employers who are qualified for both PPP Loan cancellation and the Employee Retention Credit should strive to take advantage of the PPP Loan forgiveness first.

ABC Company, for example, obtained a \$100,000 PPP Loan. They have \$40,000 in non-payroll expenditures and \$60,000 in payroll charges that are eligible for PPP Loan cancellation.

ABC is also qualified for the ERTC. They are unable to claim any additional payroll costs from the ERTC.

They should choose the PPP Loan Forgiveness option over the ERTC in this instance.

ERTC and PPP Spreadsheet

You can use the worksheet to verify that your documentation for seeking Employee Retention Credit and PPP is accurate and full. It's critical that you only provide documentation that the Small Business Administration accepts (SBA).

Is There a Deadline?

It is important to remember that financing is limited and loans are given on a first-come, first-served basis.

Eligible employers claimed the Employee Retention Credit on qualified wages received till December 31, 2021, which was the deadline.

Check out [Everything You Should Know About Employee Retention Tax Credit Deadline](#).

PPP Loan Deadline

Depending on when you acquired your loan, the PPP loan deadline was September 2021.

Employee Retention Credit Deadline

This is what the Employee Retention Tax Credit is doing. The initial date for the ERTC retroactive period, January 1, 2022, was pushed back to October 1, 2021. There are also adjustments in qualifications.

Other FAQs Related to Employee Retention Credit and PPP Loan

Is the Employee Retention Credit Different from PPP Loan?

The PPP loan includes a five-year payback schedule and a one percent fixed interest rate. The Employee Retention Credit is not refundable. If you obtain a credit advance (using Form 7200), you'll need to account for it when completing your Federal Employment Tax Return.

Can You Get the Employee Retention Credit if You Got a PPP Loan?

Yes, even if you've taken out a Paycheck Protection Program (PPP) loan, you can collect the Employee Retention Credit. However, this wasn't always the case. PPP loan beneficiaries were barred from applying for the ERC after the [CARES](#) Act was put into law in March of 2020.

How Does the Employee Retention Credit Work with PPP?

Any qualified earnings not recorded as payroll expenditures in securing PPP debt forgiveness can be claimed by the eligible company.

Any salaries that qualify for federal loans under the ERC or PPP can be used for one of these two schemes, but not both.

Please ignore the "Caution" section in the instructions for your employment tax return under the line instructions for "[Non-Returnable Portion of Employee Retention Credit](#) From Workbook 1," as the information in that section is no longer accurate following the passage of the Taxpayer Certainty and Disaster Tax Relief Act of 2020.

Conclusion on Can You Get Employee Retention Credit and PPP Loan?

Business owners who received a PPP loan were initially ineligible for the ERC. However, under a new relief package signed into law in December 2020, qualifying companies could claim the ERC even if they took out a PPP loan. This modification is retroactive, so it will apply to salaries earned after March 12, 2020, for qualifying companies.

It is possible to get employee retention credit and a PPP loan. However, it is important to understand the requirements and eligibility criteria for these programs. If you are interested in applying for either of these loans, be sure to consult with a financial advisor to learn more about your options.



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.

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