

# How to Apply for **Employee Retention Credit?**



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**ERC / ERTC  
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CLAIM UP TO A \$26,000  
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# HOW TO APPLY FOR EMPLOYEE RETENTION CREDIT?

The Employee Retention Credit (ERC) is a redeemable credit that businesses can seek on eligible qualified wages to employees, which includes some healthcare costs.

For wages generated between March 13 and December 31, 2020, eligible employers, including borrowers who took out a loan under the old PPP, may reclaim an increase of up to \$10,000 per person per year.

Employers who qualify the standards, including PPP members, are entitled to a 70% wage credit. In addition, during the first two quarters of 2021, the maximum amount of wage that qualifies for the credit has been doubled to \$10,000 per employee.

## How to Apply for Employee Retention Credit?

Employers will be able to claim a total of 70% credit under the Employee Retention Credit started in 2021. This is an increase over the previous year, and an employee's qualifying pay can be up to \$10,000 every quarter.

Along with that boost, the ERC offers other advantages that small firms should take advantage of before it expires.

We'll walk you through the ERC application procedure for your smaller businesses and qualified health plan expenses presently. We've put together a straightforward application procedure for health insurance costs and refundable credit. Learn more about [How Does Employee Retention Credit Work](#).

## Gather the Following Basic Company Data:

All firms in the United States are eligible for the employee retention credit, although not all businesses will qualify. That means you'll need to consult with your accountant or CPA to see if your company qualifies for this employee perk.

**This begins with acquiring all of your company's data. This information contains things like:**

- Legal business name
- Information and legal address
- Employees' number

Consider everything related to the company; you'll need to demonstrate it during the application process.

## Collect Your Payroll Data:

**After you've obtained your data, you'll need to collect any employee payroll information. This comprises:**

Employee pay will be credited to employees who qualify for the employee retention credit.

If a worker has left your company, find out when they ceased working for you.

## Obtain Any and All PPP Loan Documents and Information:

Now we just need to collect any [PPP](#) loan papers. This comprises:

- The date on which the PPP loan was granted
- The loan amount under the PPP

You may start calculating how many ERCs you can get using any documents from your PPP loans.

This section does not apply to you if you have never had a PPP loan. Check out [Can You Get Employee Retention Credit And PPP Loan](#).

## Compile Your 2019 Full-Time Employee Information

**You'll need to gather all full-time workers who worked in 2019. You'll need their contact information as well as their full-time job details for 2019. This comprises:**

Name and address of the workplace

Dates of labor with the small business (start and finish dates)

What does it mean to work full-time? Someone who works 20 hours per week, for example, is not eligible for the ERC since they do not satisfy the minimum threshold.

## Gather Sales Revenue Data for the Years 2019 and 2020:

Finally, any sales money from 2019 to 2020 must be gathered for the employee retention credit. Your net income or loss, as well as the number of full-time employees, influence the amount of the retention credit computation.

The employee retention credit has provided thousands of dollars to small businesses, and it can do the same for yours.

## Can I Still Apply for Employee Retention Credit?

Even though the employee retention tax relief was set to expire on October 1, 2021, if your company qualifies, you may still take advantage of them.

You could apply for a retroactive ERTC refund if you didn't apply for the credit earlier. From the date of your initial filing, you have three years to file.

The IRS's Notice 2021-49 clarifies the ERC for businesses who pay qualifying salaries between June 30, 2021, and January 1, 2022. ERC for 2020 through 2021 is covered by the notification.

### **The ARPA made the following changes to the ERC for the third and fourth quarters of 2021:**

Employers who paid qualifying salaries between June 30, 2021, and January 1, 2022, will be eligible for credit.

Adding "recovery startups" to the list of qualified employers.

The qualifying salaries for "severely financially troubled employers" have been changed.

It also doesn't apply to the American Rescue Plan Act's ([ARPA](#)) 5003 Restaurant Revitalization Fund.

### **The notification answers questions that the Treasury Department and the IRA have been receiving about ERC credits for 2020 and 2021, including:**

How to handle gratuities as part of eligible wages and the 45B credit

Disallowance of qualifying pay deductions at different times

If a decrease in employment tax deposits is insufficient to offset the credit, the IRS may make an advance payment to the employer.

All of the IRS Notice 2021-49 explanations apply throughout the full ERTC period. If you discover that your earnings were incorrectly classified as ERTC eligible, you must update [Form 941](#).

If you're having trouble figuring out whether your company qualifies for the [employee retention tax credit](#) in 2022, or if you have questions about filing retroactive as well as modified results, communicate directly with ERC Expert for assistance.

## Application for Employee Retention Credit

Employers can receive the Employee Retention Credit on federal payroll tax filings. In most instances, this entails filing Form 941, Employer's Quarterly Federal Tax Return, to collect the credits.

If an employer subsequently discovers that they qualify for the credit, they can update their Form 941.

On your government jobs tax return, provide the entire qualified leave wages. Fill out Form 7200 as soon as possible after the conclusion of the quarter in which you paid the eligible salaries. Don't forget to account for advance amounts when filing Forms 941, 944, or 943.

Form 7200 can be used to obtain an advance payment for the ERC until August 2, 2021, according to the IRS. (The date to fill Form 7200 expires on 31 January 2022.)

Learn more about [Everything To Know About Employee Retention Credit – ERC Example](#).

## Apply for the Employee Retention Credit

While we've gone over the ERC extensively, most taxpayers will profit more from the PPP loan cancellation.

As a result, companies should prioritize allocating payroll expenditures to PPP loan forgiveness.

Following that, you'll need to furnish the payroll provider with the payroll expenditures for which you'll be using the ERC. However, any salaries claimed under a PPP loan forgiveness application and utilized for the ERC may result in a portion of your debt forgiveness being denied.

In some cases, delaying the ERC claim on your payroll tax files and then amending the filings may be useful so you may accurately calculate the payroll expenses utilized for the ERC vs. the PPP loan.

### How Do You Get The Employee Retention Credit?

Because many businesses rely on third-party payroll providers to prepare and submit payroll reports, it's critical to talk with them about how to implement the ERC after you've determined you're qualified.

These payroll companies will want information on the salary you'll be utilizing for the ERC. You may need to create pay codes for the ERC in some cases, and the provider will utilize these pay codes to compile and submit the credit on Form 941. The credit can also be claimed using a modified Form 941, but this will result in additional charges and a delay in receiving the credit. Check out more about [Employee Retention Credits – A Detailed FAQ Guide](#).

### How Do I Claim the Employee Retention Credit?

The COVID pandemic has influenced nearly every economic sector in the United States. The financial effect was considerable, with 76% of paid workers being unable to work.

As a result, the government introduced employee retention credit to help mitigate some of the losses.

[Employers can claim](#) this refundable tax credit to recover earnings paid to employees who were unable to work during the previous quarter.

Assume that Covid-19 has a significant influence on your company. In such a situation, you might get up to 70% of the salary you paid for each calendar quarter, up to \$10,000.

### **You can file a claim if you meet the following criteria:**

If your business operations were completely or partially suspended due to government directives in any calendar quarter of 2021, or

Pursuant to COVID-19, there are limits on business, travel, and group meetings (for commercial, political, religious, or other purposes).

You're still eligible if your company's gross receipts dropped significantly during the calendar quarter.

You must disclose your entire qualifying salaries and related health insurance expenditures on your quarterly employment tax returns to be eligible for ERC. Form 941 can be used for this.

Without incurring any failure to deposit penalties, you can keep the comparable ERC amount, that is, the amount you would have contributed to your employment tax, as a tax credit.

Assume you've already submitted your employment tax credit application. In such a scenario, you can submit [Form 941-X](#), which permits you to make changes to a previously filed 941.

In other words, if the ERC quarter has passed, but you did not file an ERC claim earlier in the year, you can use this form to revise your previous quarterly tax reports.

Employers affected by COVID-19 may be unaware that they are entitled to a tax credit. Employers will benefit from this refundable tax credit since it encourages them to retain employees on the payroll.

The ERC statute was extended by the Consolidated Appropriations Act, which takes effect on January 1, 2021. Employers who took out PPP loans in 2020 and 2021 may be eligible for the ERC as a consequence of this prolongation.

**Because the ERC is new and the law is changing, we enlisted your help to ensure that your claim adheres to all current IRS guidelines.**

A qualifying business can use the ERC to claim a payroll tax credit to offset any federal employment taxes paid between March 13, 2020, and September 30, 2021.

Employers who face a suspension of operation as a result of COVID-19 owing to a governmental order OR those who saw a severe drop in [gross receipts](#): 50% or more for 2020 and 20% or more for 2021 compared to 2019.

Were you unable to file a claim in 2020? You could be qualified right now! This credit can be used in the past.

## **Employee Retention Credit 2021 Worksheet**

American Rescue Plan Act 2021 can determine eligibility based on total invoicing in the immediate previous quarter (relative to the comparable quarter in 2019) ERTC worksheet 2021, in addition to the inclusion criteria under the General Appropriations Act, 2021.

It should also be mentioned that determining if this categorization is used is checked every quarter.

So, if one of the other two classifications, gross receipt drop or full/partial suspension, pertains to the third quarter but not the fourth, they are not a recovery beginning in the third quarter but maybe in the fourth.

Keep in mind that the credit may only be used to cover earnings that have not been forgiven or are projected to be forgiven under the PPP.

The IRS has many techniques for evaluating eligible health expenditures, depending on the circumstances. They normally include the employer and employee's pre-tax earnings, but not any after-tax earnings.

For the purpose of the Employee Retention Credit, a full-time employee is described as the one who worked at least 30 hours per week or 130 hours per month in any time schedule month in 2019, with the meaning relying on the firm shared duty setup in the Affordable Care Act ([ACA](#)).

This credit may only be used by employers on employees who seem to be currently jobless.

Employers with less than 100 full-time workers can spend all of their employees' wages even when they are working, as well as any paid sick leave off when they are not working, excluding paid leave underneath the Family and Medical Leave Act.

Check out [A Guide to Understand Employee Retention Credit Calculation Spreadsheet 2021](#).

## Employee Retention Credit Example

**Because of three major improvements in the Consolidated Appropriations Act of 2021, millions of small-business owners like you still qualify for the Employee Retention Credit:**

The ERC, as well as the Paycheck Protection Program loans, are now available, although not on the same salary.

This new rule took effect in 2020.

For 2021, the new law includes an upgraded ERC.

The previously strengthened 2021 ERC is prolonged for another six months, to December 31, 2021, according to the most recent new law, the American Rescue Plan Act of 2021 (ARPA).

The ERC is a significant event. It has the potential to put tens of thousands of dollars in your pocket to assist cover the expense of paying personnel during the COVID-19 pandemic.

The only drawback to this tax credit is that determining your eligibility and calculating your tax credit might be complicated. Learn more about [An Ultimate Guide to 2021 Employee Retention Tax Credit \(ERTC\)](#).

### Eligibility:

**To proceed, determine if your first month qualifies for the Employee Retention Credit by checking the following boxes:**

Have operations that have been suspended in any calendar quarter in 2020.

Gross receipts declined significantly during the calendar quarter.

### Wages That Qualify:

An eligible business can credit up to \$10,000 in qualifying salaries per employee for each quarter in 2021.

Employers with fewer than 500 full-time workers in 2019 can claim all wages paid to all workers during the 2021 quarter using the gross receipts test.

## Credit Limitation:

The credit rate of [qualified wages](#) for the first three quarters of 2021 is 70%. Your ERC for the first quarter of 2021 is \$7,000 which is 70% of \$10,000 in qualifying salary.

## Crediting Others:

**Because your business employed fewer than 500 full-time employees in 2019, you must choose one of the following options to claim the credit for the 2021 quarters:**

Reduce your payroll tax contributions by the amount of your estimated credit. If your estimated credit exceeds your payroll tax contributions, use Form 7200 to request an advance refund.

Claim the credit on Form 941, your quarterly payroll tax return, and obtain a refund on any tax payments you've already paid. Check out more about [Employee Retention Credit Refund Check Status](#).

## Employee Retention Credit 2022

The Employee Retention Credit is a tax incentive that qualifying firms can utilize to offset some of their employment taxes. The credit for 2021 was equal to 70% of eligible earnings given to employees through January 1, 2022, along with some health and social benefits.

The ERC is capped at \$10,000 per quarter per employee; thus, you can only claim \$7,000 per quarter per employee. It's easy to qualify for the ERC credit in 2022 when compared to the same quarter in 2021, your company's quarterly gross sales must drop by at least 20%.

It would make no difference if 2019 was a banner year for you. If your 2021 quarterly gross income surpasses the qualifying requirement, you'll still be [eligible for the ERC](#).

Assume your gross revenue in the first quarter of 2021 was 25% lower than in the first quarter of 2019. In this instance, you'd be eligible for the ERC in 2021's first and second quarters. In this case, you would want to look at Q3 revenue to determine whether there was a 20 percent drop. If there was, you would be eligible for Q3. If your revenue dropped by 20% in Q4, you'd be eligible for credits in Q1 2021.

Finally, don't assume you won't qualify by checking your revenue at the conclusion of each quarter in 2021. The money is just too valuable to be ignored!

You can still apply for the ERC 2021 if you have a Paycheck Protection Program (PPP) loan. While you can't claim both the PPP and the ERC credit for the same earnings, you may get the most out of both. In general, it makes sense to claim the ERC for this quarter if you qualify for it in 2021 Q1.

You may then be smart about the dollars you use for forgiveness, presuming you have 24 weeks to use your PPP money. However, you may claim it backward, which may be advantageous for your PPP forgiveness plan. Remember that the ERC is taxed since it lowers payroll costs.

You can get your credit right now by lowering the amount of payroll taxes you pay to the IRS (IRS). If your credits exceed your payroll taxes, you can ask the IRS for a direct refund. The new law, which goes into effect on March 27, 2020, permits businesses who took out Paycheck Protection Program (PPP) loans to claim the ERC for eligible salaries that aren't recognized as payroll expenditures in order to get the PPP debt canceled.

## **Form 941 Employee Retention Credit**

More firms were eligible for the Employee Retention Tax Credit (ERTC) under the recently enacted American Rescue Plan Act, which provides \$5000 per employee in 2020 and \$7,000 per employee in 2021 every quarter (i.e., \$28,000 apiece).

Form 941 is an [IRS](#) form that you must file quarterly with your payroll. Calculate the tax maximum credit using the worksheet. Only Form 941 is required for filing recovery startup businesses, and no backup evidence of losses is necessary to claim the tax credit; however, this information should be maintained on file in case of an audit by a recovery startup business as per social security.

Check out [Employee Retention Credit \(ERC\) Form 941-X: Everything You Need to Know](#).

## **Conclusion and Summary Related to How to Apply for Employee Retention Credit**

As a result of the changes made to the ERC by the Consolidated Appropriations Act, 2021, and the American Rescue Plan Act (ARPA), more small-business owners will be eligible for this tax credit in 2020 and 2021.

By following the procedures outlined above, you will be able to claim your ERC on a quarterly basis.



**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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