

Refundable and Nonrefundable Employee Retention Credit

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ERC / ERTC FINANCIAL SERIES

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



REFUNDABLE AND NONREFUNDABLE EMPLOYEE RETENTION CREDIT

The changing regulations and deadlines of the Employee Retention Credit (ERC) program make interacting with the IRS and the government even more difficult.

Due to this, many firms are unsure about their position toward ERC. As a result, many people are unaware that they may apply for ERC in 2022.

A tax credit may significantly lower your tax liability or increase your tax refund. Tax credits might be fully refundable, partially refundable, or neither. This rule can be applied to the ERC based on various conditions and criteria.

What is Employee Retention Credit?

The [CARES Act](#) enabled the ERC, incentivizing companies to keep workers on the payroll. The 2020 ERC Program is a refundable credit of 50% of up to \$10,000 in wages paid per employee by an eligible company from 3/12/20 through 12/31/20.

Refundable and Non-Refundable ERC

A nonrefundable tax credit's maximum amount is limited to the taxpayer's tax liability. On the flip side, taxpayers get their full refundable tax credits. Refunds are given to taxpayers to the extent of refundable tax credits that exceed their tax obligations.

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

Companies are encouraged to keep employees on their payroll through the Employee Retention Credit by getting a wage credit. Businesses affected by COVID-19 are eligible for a refundable credit of 50% or 70% for up to \$10,000 in salaries paid each quarter in exchange for keeping their staff.

Employers who knew how to file for the Employee Retention Credit before the program's conclusion using Form 7200. The firm may use this form to request payment of the credits in advance of the quarter.

The company must maintain the records and paperwork proving each employee's absence to prove the claim. Additionally, [Form 941 Employer's Quarterly Federal Tax Return](#) must be saved by the employer.

For qualified employers, the tax credits provided by this program are entirely refundable. However, employers have to continue to pay their [employees to be eligible](#). The employer's share is the non-refundable portion of the social security tax.

Difference Between Refundable and Non-Refundable Employee Retention Credit?

Taxpayers reduce their tax liabilities by deducting refundable tax credits and [non-refundable portions](#). The difference between a refundable credit and the amount of taxes due is paid as a refund. The excess of a nonrefundable credit over taxes owing is discarded.

Non-Refundable Employee Retention Credit: How Do You Calculate It?

If you over reported taxes on earlier Form 941 filings, you might be able to [claim the ERC](#). Form 941-X is used for this.

The nonrefundable 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 the employer.

According to the instructions, the tax preparer must duplicate the value from column 3 into column 4. Enter a positive value in column 3 and a negative number in column 4 to represent the correct sum as a balance due or credit.

The taxpayer won't receive the full [ERC credit](#) if the individual filling out the paperwork neglects to convert the number in column 4 to a negative.

How to Calculate the Refundable Portion of Employee Retention Credit?

For each Form 941 that has to be amended, a separate Form 941-X must be filled out. In addition, every page's corporate information is filled out, and then the return you are updating is noted in the top right corner.

You can use worksheet 1 to calculate the refundable amount of ERC. When filing the amended Form 941 or [Form 941-X](#), the cumulative amount employer's Social Security tax can be considered refundable. This is because the tax was paid with the original filing of Form 941.

Refundable Vs. Non-Refundable Employee Retention Tax Credit

A nonrefundable credit cannot be utilized to boost your refund or produce a tax refund that did not previously exist. In addition, your refund or savings cannot be more than the taxes owed.

The difference between a refundable credit and the amount of tax owed will be refunded to you. Excess credits that are nonrefundable and exceed the taxes you owe are unrecoverable.

The non-refundable component of an ERC is 6.4% of salaries. This is the Social Security Tax owed by the employer.

Conclusion and Summary for Refundable and Nonrefundable Employee Retention Credit

A refundable tax credit equivalent to 50% of the [qualified wages](#) an eligible firm pays to employees after March 12, 2020, but before January 1, 2021, is known as the Employee Retention Credit and can be used to offset certain employment taxes.

The non-refundable portion of the ERTC was deducted from Social Security taxes in 2020. However, the non-refundable amounts of the ERTC must now be removed from Medicare taxes for salaries earned after June 30, 2021, according to the American Rescue Plan ([ARP](#)) Act, which made this modification.

Consult your tax advisor for the best advice on refundable and non-refundable ERC.



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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