

What are the Ways for Claiming Employee Retention Credit Retroactively?

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



WHAT ARE THE WAYS FOR CLAIMING EMPLOYEE RETENTION CREDIT RETROACTIVELY?

Businesses still have time to claim the Employee Retention Credit (ERC) on their 2021 tax returns, even though the Infrastructure Investment and Jobs Act retroactively ended the ERC at the end of November 2021. As a result of the latest infrastructure bill, the credit is now limited to the third quarter of 2021, so any wages paid after September 30, 2021, will not qualify for the credit.

Employers may claim employee retention credit retroactively for certain qualifying employees. In addition, the IRS has created specific rules under which an employer may claim retention credit.

What is Employee Retention Credit?

As part of the ERC program, users are entitled to tax credits of up to \$5,000 per employee during the first three quarters of 2021 and from March 13 to December 31, 2020.

In the beginning, companies were [eligible to use the Employee Retention Credit](#) if their activities had been completely stopped during any calendar quarter of 2020 due to government orders prohibiting travel, trade, or group gatherings.

[Gross receipts](#) for the calendar quarter decreased significantly due to COVID-19. A 50% decline in 2020 calendar gross receipts compared with 2019 was a significant decline. Employers with a large fall in revenue may still be eligible for this credit up to the end of the calendar quarter, during which gross receipts exceed 80% of their previous calendar quarter's gross receipts.

Any recovery startup business with full-time employees can benefit from this program.

Qualified Wages

Any salary or costs paid to employees throughout the quarter qualify as [qualifying wages](#). Even if the employee received no additional compensation from the company, it also covers eligible health plan fees paid to such workers.

Employers must report the total qualified earnings and the associated COVID-19 ERC on Form 941 for the quarter in which the qualifying wages were paid.

In the second quarter of Form 941, percent of wages earned between March 13, 2020, and March 31, 2020, that qualified for the ERC were recorded. The Employer's Quarterly Federal Tax Return will determine the credit for employers from the quarter ending June 30, 2020.

The credit was granted against the employer's part of social security taxes (6.20% rate) and railroad retirement tax on all earnings paid to all workers for the period.

It should be noted that some changes were made to the [ERC rules](#) in 2021. If the credit amount was more significant than the employer's share of those federal employment taxes, the excess was considered an overpayment and was refunded to the employer.

A qualified employer might deduct the projected credit amount for the quarter from their employment tax contributions throughout the quarter.

The employer may keep the federal income tax withheld from employees and the employee's and employer's portions of the social security and Medicare taxes concerning each employee.

The employer might submit Form 7200 (Advance Payment of Employer Credits Due to COVID-19) to claim additional payment of the excess credit if the payroll tax payments were insufficient to satisfy the expected credit amount.

Claiming Employee Retention Credit Retroactively

If you were eligible for the payroll tax credit during the previous quarter but cannot claim it, you may use an amended [Form 941-X to apply for the ERC](#). Unlike many other tax credits for small businesses, the ERC does not lower income taxes. A credit is instead provided to employers by reducing their Social Security taxes.

Any salaries earned after September 30, 2021, are not eligible for the credit due to the credit's current limitation to the 3rd quarter of 2021. As a result, companies had the time to grab the Employee Retention Credit (ERC) on their 2021 tax returns, despite the Infrastructure Investment and Jobs Act retroactively ending the credit in November 2021. Learn more about [How to Fill Out 941-X For Employee Retention Credit](#).

The ERC was established in March 2020 by the Coronavirus Aid, Relief, and Economic Security Act ([CARES](#)) to provide financial relief with qualified health expenses to companies whose activities were disrupted by the pandemic. Subsequent legislation has revised, expanded, limited, and recently dissolved the ERC.

There were two ways for taxpayers to apply for the credit:

- First, you can [claim the Employee Retention Credit](#) on Form 941-x, Employer's Quarterly Federal Tax Return, to receive a refund of previously paid tax deposits.
- After subtracting the employment tax contributions, calculate the amount of their anticipated credit. For payroll tax installments that exceed the anticipated credit, taxpayers may submit Form 7200 to obtain an advance payment.

How to Apply for Employee Retention Credit Retroactively?

This credit is available to companies and tax-exempt organizations operating in any quarter of 2020 or 2021. But they had to have:

- Orders by the Government restricting trade, travel, or group gatherings due to COVID-19, OR Completely or partially shutting down business operations for any calendar quarter in 2020 or 2021.
- The companies that have experienced a substantial decline in revenue during a calendar quarter in 2020 or 2021.

Self-employed people are not eligible for this credit. However, it can provide substantial credit and immediate monetary assistance if you qualify for the ERC while having a recovery start-up business.

Learn more about [How to Apply For the Employee Retention Credit](#) here.

Employee Retention Credit Example

Employer X paid \$100k in qualified salaries and \$30k in other eligible costs in the second and 3rd quarters of 2020 after receiving a \$100k PPP loan. Employer X needed to submit a minimum of \$60k in payroll expenditures to be eligible for forgiveness of the whole PPP debt. Accordingly, employer X applied for the forgiveness of the entire PPP debt and included \$100k in qualifying salaries as payroll expenses.

The additional \$30k in allowable costs were not disclosed by Employer X on the application. As a result, employer X is considered to have excluded \$100k in eligible salaries from the ERC.

That Employer recorded \$100k of qualified wages on the PPP loan forgiveness application, even though Employer X could have reported \$30k of eligible expenses (other than payroll costs) and \$70k of payroll costs.

As a result, none of the \$100k in earnings may be considered eligible income under the ERC. Employer X might consider \$30k (\$100k - \$70k) as qualified salaries for ERC purposes if Employer X had reported \$70k of qualifying wages and \$30k of other acceptable costs on its PPP debt forgiveness application.

Similarly, Employer X might include \$50k (\$150k-\$100k) as qualified earnings for ERC benefits if it had paid \$150k in eligible wages and disclosed that salary on its PPP debt forgiveness application.

Suppose an employer lists qualifying salaries as payroll expenses on a PPP debt forgiveness proposal, but the loan balance is not forgiven. In that case, the qualified earnings may subsequently be considered for the ERC. Check out more about [Employee Retention Credit - ERC Example](#).

Employee Retention Credit Updates

Due to COVID-19, you are eligible for ERC and tax credit for offering paid leave. You cannot claim both credits for the same salary. You cannot factor in paid leave pay when determining the qualifying salaries. The excess credits from the Employer Retention Tax Credit would also be helpful for health care benefits this year.

The salaries you pay with a grant are not eligible for ERC. However, you may utilize Restaurant Revitalization Fund money until 2023 to cover costs. After that, you'd probably be able to use a restaurant grant and ERC. [PPP loan recipients can claim the Employee Retention Credit](#).

When the CARES Act was enacted, you had to decide between this credit and a PPP loan. As a result, if your debt forgiveness application was successful, you could not use this credit for salaries paid with a PPP loan. However, you can utilize wages received with your PPP loan to make an ERC claim if your request for forgiveness is denied.

Is there a Deadline to Claim Employee Retention Credit Retroactively?

[ERTC retroactive period deadline](#) was previously January 1, 2022, but was later updated to October 1, 2021. Additionally, there have been changes to qualifications.

Conclusion and Summary Related to Claiming Employee Retention Credit Retroactively

If you are eligible for the employee retention credit, it is best to contact a tax professional to help you file for it retroactively. This credit can provide much-needed financial relief for your business.



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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