



Experiential Designers +
Producers Association

Employee Retention Tax Credit (ERTC)

Hosted by: Southern California Chapter
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Disclaimer

This webinar and materials are for informational purposes only and should not be considered legal or tax advice. You should contact your tax professional, payroll processor, and/or attorney to obtain advice for you and your company before taking any action.



Why should I bother?

- **AVAILABLE**
 - It's already law (*companies with PPP now eligible to also claim the ERTC)
 - It's immediately accessible by not paying your federal payroll tax deposits
 - It's retroactively accessible (back to March 13, 2020) by amending your 941s and awaiting a refund.
- **EASY**
 - No application or “forgiveness”...or waiting for approval
 - No documentation to submit (just be sure you can produce a valid paper trail if audited)
 - Minimal tracking/calculating...especially if you have your payroll processor handle it
 - If you also have a PPP, some strategic thinking effort beneficial to maximize total relief
- **NEEDED**
 - It's substantial money – up to \$33,000 per employee!
 - Great chance to refill your pandemic-emptied pockets to fund the return of tradeshow work
 - Start recalling and hiring employees sooner than a full workload is available – for training and ramp-up



Am I eligible?

STEP 1 - WHEN

- Covid suspension by government order
 - Eligible only for exact dates of shutdown, does not extend to full quarters
 - Bottom line: This definitely applies to our industry, but it is probably not the best measure to use, due to...
 - inconsistent opening dates throughout the country – federal and different states
 - unclear what counts – your company's location or where your clients' shows are?
 - more time eligible under revenue reduction method
- **Revenue reduction**
 - Gross receipts decline compared to same quarter in 2019.
 - 2020: Decline by 50%
 - 2021: Decline by 20% (i.e. 2021 revenue is less than 80% of 2019 for the same quarter)
 - Gross receipts is calculated per your normal accounting method and does not include stimulus funds (e.g. PPP, EIDL)
 - Eligibility starts with first quarter below threshold and stops at the end of the first quarter that rises back above the threshold.
 - Practical meaning for our industry: If you are eligible (<80%) in Q3, you will be eligible for all of Q4 no matter your performance that quarter. But if your revenue is >80% in Q3, then you will not be eligible in Q4 (you will remain eligible for all of Q3).
 - Special rules for business started after 2019



Am I eligible?

STEP 2 – HOW MUCH

- Employee Size
 - Refers to average number of employees in 2019
 - Calculation
 - Average 30 hours per week or 130 hours per month
 - Add up for year and divide by 52 or 12
 - Individual employees, do not add part-timers together to make an FTE
 - Maximums:
 - **2020 = 100**
 - **2021 = 500**
 - If over maximum, can still claim wages and healthcare for when the employee was NOT working
 - Example: if you paid people or provided healthcare when they were furloughed (but not with PPP \$)
 - Notes
 - Control Group (e.g. >50% parent-subsiary and similar situations) are combined for the employee count limits
 - Special rules for business started after 2019



How much can I get?

		PER EMPLOYEE			
Year	% of Wages	Up to Wages	Max	Per	Total
2020	50%	10,000	5,000	Year	5,000
2021	70%	10,000	7,000	Quarter	28,000
					33,000

Bonus for 2021 Q3 & Q4 only, IF your QOQ revenue declined >90%, then you are “severely distressed” which means you have NO CAP (i.e. \$10K) on applicable wages. You get 70% of each employee’s full wages, of any amount.

Notes

- Includes group healthcare (medical, dental, disability, life – same as PPP)
- Includes healthcare for furloughed employees (i.e. received no wages)
- Does not include owners >50% and some relatives
- Does not include wages credited from FFCRA or covered by another credit/grant (more on PPP later)



How do I get it?

- **RETROACTIVE**

- 941-X for each completed quarter (your payroll processor or CPA can help)
 - I've heard refunds are running about 2 months

- **ADVANCE**

- Form 7200
 - Estimate the credit you will earn; reconciled at end of quarter via 941
 - I've heard this is running slow now, up to 6 months

- **CONTEMPORANEOUS**

- **STOP PAYING YOUR DEPOSITS** – immediate cash savings!!!
 - Beginning of Q3 coming up (makes tracking easiest to start at beginning of quarter)
 - Find out from your payroll processor how to “turn on” in their system
 - 941 will reconcile – will get a refund for excess (credit earned often more than tax deposit amount)



ERTC – PPP Interaction

- You can claim ERTC during the PPP covered period
 - You can split a payroll, applying some people to ERTC and some to PPP.
 - You can split an individual's wages, applying some to ERTC and some to PPP.
 - “Slice-and-dice” payroll, just don't double-dip any payroll dollar.
 - Note: If you already submitted forgiveness application, you are stuck with whatever amount of payroll you claimed, even if it was more than you needed, and you can not redirect any to ERTC.
- Suggestions:
 - Sanity-check first
 - Different scenario for every company depending on PPP loan size and current payroll level
 - Confirm for your PPP loan size and payroll level during covered period if you can maximize the ERTC each quarter and fulfill your payroll obligation (60%) on PPP. (Hint – use all 24 weeks for PPP.)
 - If you can't, decide...
 - Should I skew to PPP, to ensure full forgiveness (does not max ERTC but may be more cash over time)
 - Or, be OK with a PPP loan if it means I can maximize the ERTC (more cash now but have future payments)
 - Maximal interaction method (if you have enough payroll to meet PPP & ERTC)
 - At beginning of quarter, apply a person to ERTC until maxed
 - After maxed apply to PPP until end of quarter
 - Safest: Calculate manually and file 941-Xs after you have identified payroll needed for PPP forgiveness.



Resources

- National Federation of Independent Business (NFIB)
<https://www.nfib.com/content/analysis/coronavirus/latest-on-coronavirus-from-nfib/>
 - Webinar: NFIB – Jamie Trull 4/14/21 (ERTC part starts with slide 11)
<https://www.nfib.com/webinars/employee-retention-tax-credit-essentials-with-jamie-trull/>
 - Webinar: NFIB – Anders CPA 3/3/21 (describes “Slice and Dice” with PPP)
<https://www.nfib.com/webinars/tax-tips-for-the-2021-tax-season-covid-19-tax-planning-with-anders-cpas-advisors/>
**Note, this one is BEFORE the ERTC got extended for the full year, so they will say it is for Q1&2 only*
- GBQ (multiple webinars and articles)
<https://gbq.com/coronavirus/>
- SCORE
<https://www.score.org/>
- kglasser@exhibitconcepts.com (basic questions only, please, and allow ample response time)

