

Employee retention credit now available for businesses affected by COVID-19

The Treasury Department and the IRS have launched the Employee Retention Credit for businesses that have been financially affected by COVID-19. The credit is specifically designed to encourage businesses to keep employees on their payroll.

Refundable Tax Credit Calculation. The amount of the credit is 50 percent of qualifying wages paid up to \$10,000 in total. Wages paid after March 12, 2020, and before January 1, 2021, are eligible for the credit. Wages taken into account are not limited to cash payments, but also include a portion of the cost of employer provided health care.

Eligibility. Qualifying employers must fall into one of two categories:

1. The employer's business is fully or partially suspended by government order due to COVID-19 during the calendar quarter.
2. The employer's gross receipts are below 50 percent of the comparable quarter in 2019. Once the employer's gross receipts go above 80 percent of a comparable quarter in 2019, they no longer qualify after the end of that quarter.

Reimbursement. Qualifying employers can be immediately reimbursed for the credit by reducing their required deposits of payroll taxes that have been withheld from employees' wages by the amount of the credit. Eligible employers will report their total qualified wages and the related health insurance costs for each quarter on their quarterly employment tax returns or Form 941, Employer's Quarterly Federal Tax Return, beginning with the second quarter. If the employer's employment tax deposits are not sufficient to cover the credit, the employer may receive an advance payment from the IRS by submitting Form 7200, Advance Payment of Employer Credits Due to COVID-19.

Additional information. Updates on the implementation of this [credit](#), Frequently Asked Questions on [Tax Credits for Required Paid Leave](#) and other information can be found on the [Coronavirus page](#) of the IRS website. (*IRS News Release IR-2020-62, March 31, 2020.*)