

Employee Retention Credit/CARES Act + CAA + ARPA + Infrastructure Bill

COVID Relief Bill – Impact On Employee Retention Credit (ERC): On Dec. 27, 2020, the President signed into law the Consolidated Appropriations Act, 2021 (CAA), followed by the American Rescue Plan Act (ARPA) signed on March 11, 2021. These acts significantly bolster the ERC originally introduced by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in March 2020. Below is a summary of amendments in these acts related to ERC, and a comparison to the earlier CARES Act.

	03/13/2020 — Up to \$5,000 Per Employee — 12/31/2020	01/01/2021 — Up to \$21,000 Per Employee — 09/30/2021
ERC	Original CARES Act for 2020	CAA/ARPA Changes for 2021
Eligible Employer	<p>For 2020, an employer may qualify for the credit if they meet one of the following:</p> <ul style="list-style-type: none"> Govt. Mandate – Your offices were closed, or operations partially suspended by a government order; OR Gross Receipts – You experienced a 50% or more decline in gross receipts compared to the same quarter in 2019. 	Gross Receipts Test Modifications – For 2021, an employer may qualify for the credit if gross receipts for a quarter are less than 80% of gross receipts compared to the same quarter in 2019. (Govt. order test remains the same)
Eligible Period	Eligibility period through the end of 2020.	Eligibility period extended through the 1st three quarters of 2021.
Credit Percentage	50% of qualified wages applicable for the entirety of 2020.	70% of qualified wages applicable for the 1st three quarters of 2021.
Qualified Wage Limit	\$10,000 per employee for the entirety of 2020.	\$10,000 per quarter, per employee (\$30,000 total).
Maximum Potential Credit Total (2020 and 2021): \$5,000 + \$21,000 = \$26,000	\$5,000 (50% of \$10,000) per employee for the entirety of 2020.	\$21,000 (70% of \$30,000) per employee for all of 2021.
Qualified Wages – Definition	<p>Employers with 100 or fewer full-time employees in 2019 (small employer) – all wages and healthcare costs paid during eligibility period.</p> <p>Employers with more than 100 full-time employees (large employer) – all wages paid to employees who are NOT providing services (full or partial reduction).</p>	Increases definition of small employer to 500 or fewer employees in 2019, allowing wages and healthcare paid to ALL employees to qualify for employers with 500 or fewer employees.
PPP Loan Impact	Companies that received a loan under the Paycheck Protection Program (PPP) were originally unable to claim ERC, but the CAA retroactively allowed companies to claim both, if eligible.	Companies are retroactively eligible to claim both an ERC and a PPP loan. However, any wages used for forgiveness of the PPP are ineligible to also be claimed for the ERC.
Small Employer Max Credit Example	Eligible small business employer with 100 employees could receive up to \$500K credit in 2020.	Eligible small business employer with 500 employees could receive up to \$10.5M credit in 2021.