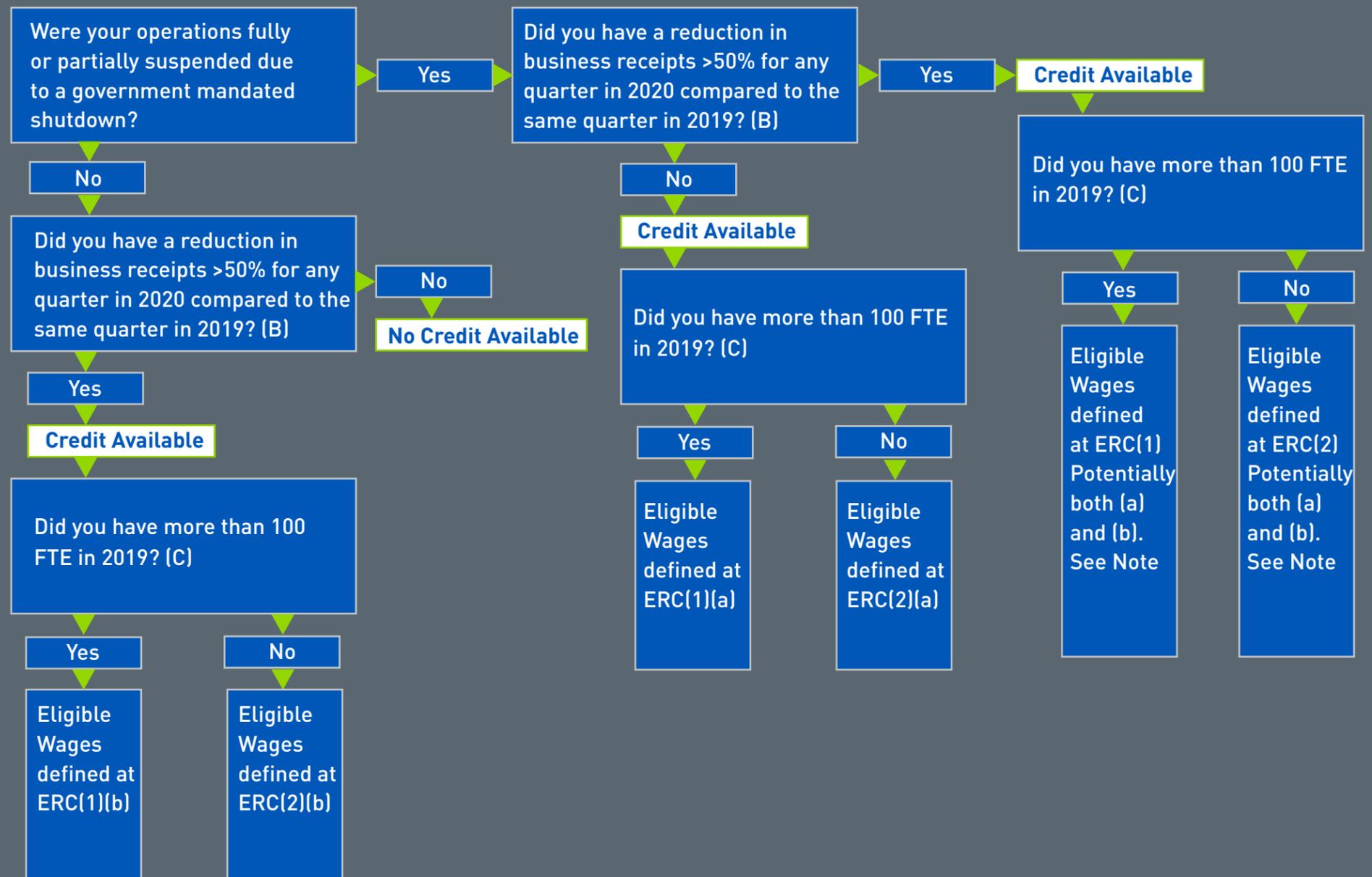


Employee Retention Credit – 2020 Eligibility Flowchart



KEY:

ERC (1): Eligible Wages: Wages paid to employees to NOT PROVIDE SERVICES. Eligible Wages are capped at \$10K per employee in total for the year. The credit is equal to 50% of total Eligible Wages. (Max credit per employee \$5,000 for the year)

- (a) During time of government-mandated closure
- (b) During Qualifying Quarters identified in Footnote (B) below

Note: Wages cannot be counted twice in determining Eligible Wages, so in order to include wages in (a) and (b), a business closure would have to occur outside of a Qualifying Quarter.

ERC (2): Eligible Wages: ALL wages paid; REGARDLESS IF EMPLOYEES PROVIDED ANY SERVICES OR NOT. Eligible Wages are capped at \$10K per employee in total for the year. The credit is equal to 50% of total Eligible Wages. (Max credit per employee \$5,000 for the year)

- (a) During time of government-mandated closure
- (b) During Qualifying Quarters identified in Footnote (B) below

Note: Wages cannot be counted twice in determining Eligible Wages, so in order to include wages in (a) and (b), a business closure would have to occur outside of a Qualifying Quarter.

FOOTNOTES:

(A) The best example of a government shutdown is if the government has stated that all non-essential businesses must close for a period of time, or issues an emergency requiring residents to stay home unless they work at an essential business. [See here for a link to the IRS FAQ re. government shut downs.](#)

(B) Qualifying Quarter = the 2020 quarter when receipts dropped by at least 50% (when compared to the same quarter in 2019); and continuing for consecutive quarters, and including quarter when receipts improve to >80% of the same quarter in 2019. Stated another way: 1) For each quarter in 2020, measure your gross receipts, and compare them to the same quarter in 2019. If 2020 receipts decline by more than 50% compared to the same quarter in 2019, wages in that quarter of 2020 will qualify. 2) Continue by analyzing each successive quarter in 2020. All successive quarters will count until (and including) the quarter in which receipts improve to at least 80% of what they were for the same quarter in 2019. [See here for a link to the IRS FAQ re. significant decline in gross receipts.](#)

* Definition of Business Receipts for the purpose: Gross receipts (after returns and allowances) and interest, dividends, rents and royalties (and gain on sale of assets).

* What if you were not open for all of 2019? 1) If you opened in Q2 2019: Compare Q1 and Q2 of 2020 to Q2 2019 (Q3 and Q4 as usual) 2) If you opened in Q3 2019: Compare Q1, Q2 and Q3 2020 to Q3 2019 (Q4 as usual) 3) If you opened in Q4 2019: Compare each quarter of 2020 to Q4 2019.

(C) For this purpose, generally the number of employees equals the aggregate number of full-time equivalent (FTE) employees of all affiliated companies sharing more than 50% common ownership. See your Withum professional for more information.