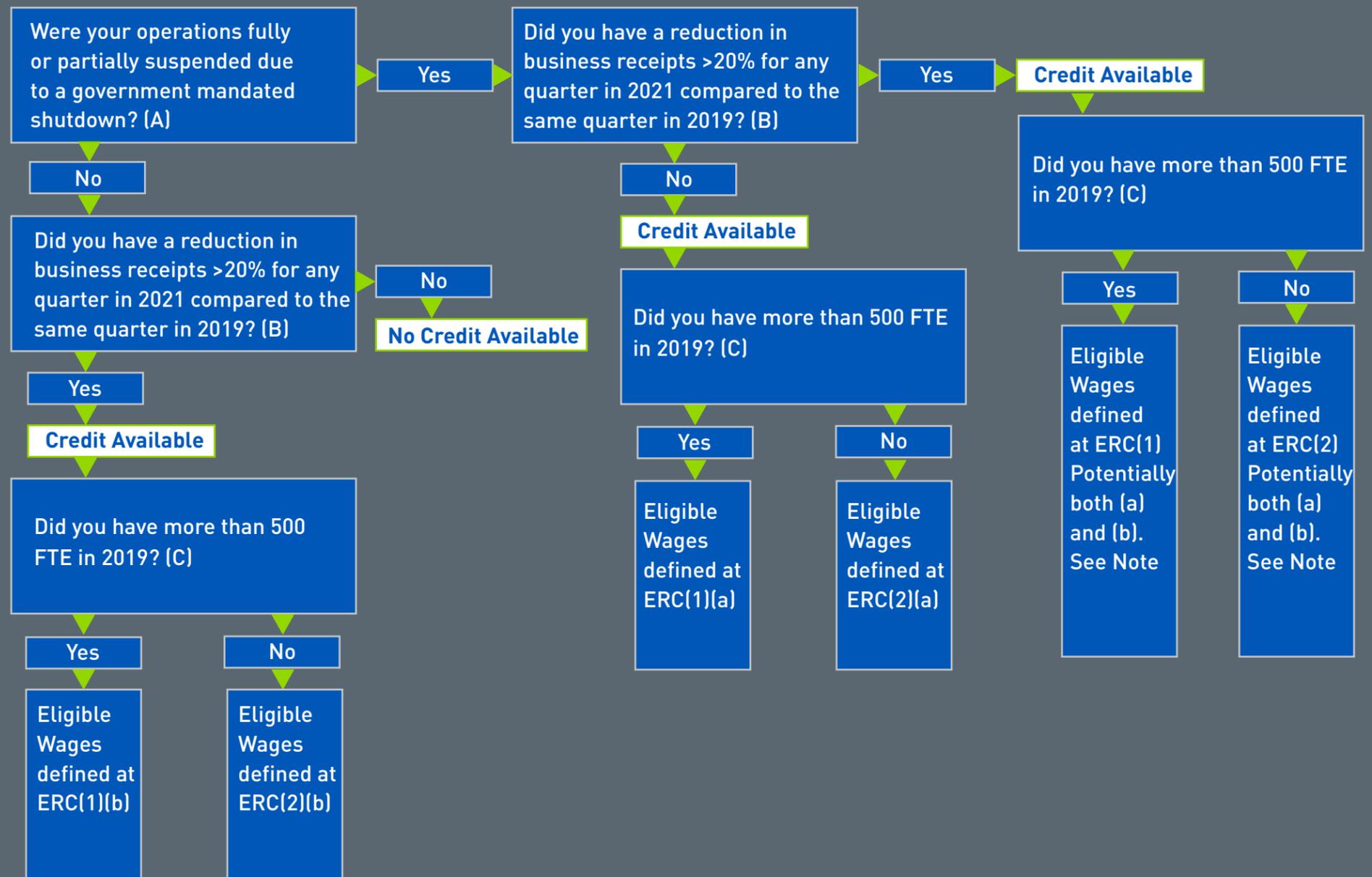


# Employee Retention Credit – 2021 Eligibility Flowchart



## KEY:

**ERC (1):** Eligible Wages: Wages paid to employees to NOT PROVIDE SERVICES. Eligible Wages are capped at \$10K per employee per quarter. The credit is equal to 70% of eligible wages per quarter. (Max credit per employee \$7,000 per quarter)

- (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 per quarter. The credit is equal to 70% of eligible wages per quarter. (Max credit per employee \$7,000 per quarter)

- (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 = 2021 quarter when receipts dropped by at least 20% (when compared to the same quarter in 2019); Quarter 1 and 2 of 2021 should be evaluated separately. Q3 and Q4 are not available. Alternatively — you can satisfy the gross receipts test by looking at gross receipts of the immediate preceding calendar quarter. So for Q1 2021, you can use Q4 2020 and compare to Q4 2019.

\* 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? If a business did not exist at the beginning of the same quarter of 2019, the same quarter in 2020 is substituted.

**(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.