

# We Specialize in Maximizing ERC for Small Businesses

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**JK Payroll**  
Experts in Payroll Credits

## What is the ERTC Employee Retention Tax Credit and ERC?

The CARES Act's Employee Retention Credit is a fully refundable tax credit. For the 2020 program, the ERC is equal to 50% of qualified wages (including allocable qualified health plan expenses) that eligible employers pay their employees. This applies to wages paid after 3/12/2020 and before 1/1/2021. The maximum amount of wages taken into account with respect to each employee for all calendar quarters is \$10,000, so that the maximum credit for an employee is \$5,000.

For the 2021 program, the credit is increased to 70%, and the limit is \$10,000 per quarter. This means the annual maximum for an employee is \$26,000.

The tax credit offsets all withheld federal employment taxes including federal income tax withholding, Employer FICA and Medicare. Any excess credit will be refunded or advanced by the IRS.

## What is an Eligible Employer?

Eligible Employers for the purposes of the Employee Retention Credit are those that carry on a trade or business during calendar years 2020/2021, including a tax-exempt organization, that either:

Fully or partially suspends operations by a governmental order, or

Experiences a significant decline in gross receipts during a calendar quarter when compared to 2019

## Is ERC and ERTC the same thing?

Yes, ERC stands for 'Employee Retention Credit', also known as the ERTC 'Employee Retention Tax Credit.' This program was created by the Coronavirus Aid and Relief Act in 2020 to help businesses keep employees on their payroll. Both Employee Retention Tax Credits (ERTC) and Employee Retention Credits are refundable tax credits.

## What are Qualified Wages?

Qualified wages are compensation provided to employees during an eligible period. An eligible period is either:

a) the time during which the trade or business is fully or partially suspended by a governmental order, or

b) for 2020, any calendar quarter during which gross receipts are 50% less than the amount received during the same quarter of 2019; for 2021, any calendar quarter during which gross receipts are 20% less than the same quarter of 2019

## Can I still apply for ERC in 2022?

The employee retention tax credit (ERTC) is available to qualifying employers for the last three quarters of 2020 and the first three quarters of 2021. The employer's tax return for the second quarter of 2020 was due July 31, 2020. This means that you can amend these returns and request a refund until July 31, 2023.

The payroll tax return for the third quarter of 2021 was due on October 31, 2021. That means that you have until October 31, 2024, to amend this return and request a refund.

There is still time to claim the ERTC tax credit in 2022, but you have to act fast if you want to beat the deadline. This tax credit can be complicated, so don't wait to apply. Check out this guide and claim your refund as soon as possible. This guide explains the deadlines for claiming the ERTC tax credit retroactively. It also looks at the eligibility criteria and walks you through how to claim this credit.

There is still time to apply for the ERTC tax credit in 2022. The credit is no longer available for current claims, but you can claim it retroactively by amending your employment tax returns. The IRS lets you amend returns and claim refunds for up to three years after the filing deadline. That means the deadline for claiming the ERTC is three years after the original due date for the tax return.

### **How do you qualify for ERC 2022?**

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### **Common Misconceptions about ERC Eligibility:**

- ❖ **Myth: My company does not qualify for ERC because it remained open during the pandemic.**
  - Fact: The IRS allows numerous circumstances for eligibility based on a "disruption of typical business operations" such as capacity limits, seating distance requirements, etc.
  
- ❖ **Myth: My company took advantage of the PPP and does not qualify.**
  - Fact: Most of the companies we help receive the ERC also received PPP.
  
- ❖ **Myth: My company is a non-profit organization and we do not qualify.**
  - Fact: The ERC applies to for-profit and non-profit businesses alike.
  
- ❖ **Myth: My company was an "essential business" and does not qualify.**
  - Fact: The ERC provides numerous paths to eligibility including revenue loss or operational impact.
  
- ❖ **Myth: My company does not qualify since year-over-year sales did not decline by 20%.**
  - Fact: Although your sales may not have declined, eligibility may still exist based on other qualifications like local or state restrictions.
  
- ❖ **Myth: The ERC is a loan that I have to pay back.**
  - Fact: The ERC is NOT a loan, and you do not have to pay it back. The check you receive from the IRS can be spent for your business needs without restrictions.
  
- ❖ **Myth: My company is a start-up organization. (THIS ONE IS IMPORTANT!)**
  - Fact: Contact [info@jkpayroll.com](mailto:info@jkpayroll.com) and we will manage this process for you with ease. You can qualify for up to \$14,000 for every eligible W-2 employee!