



# The Employee Retention Credit

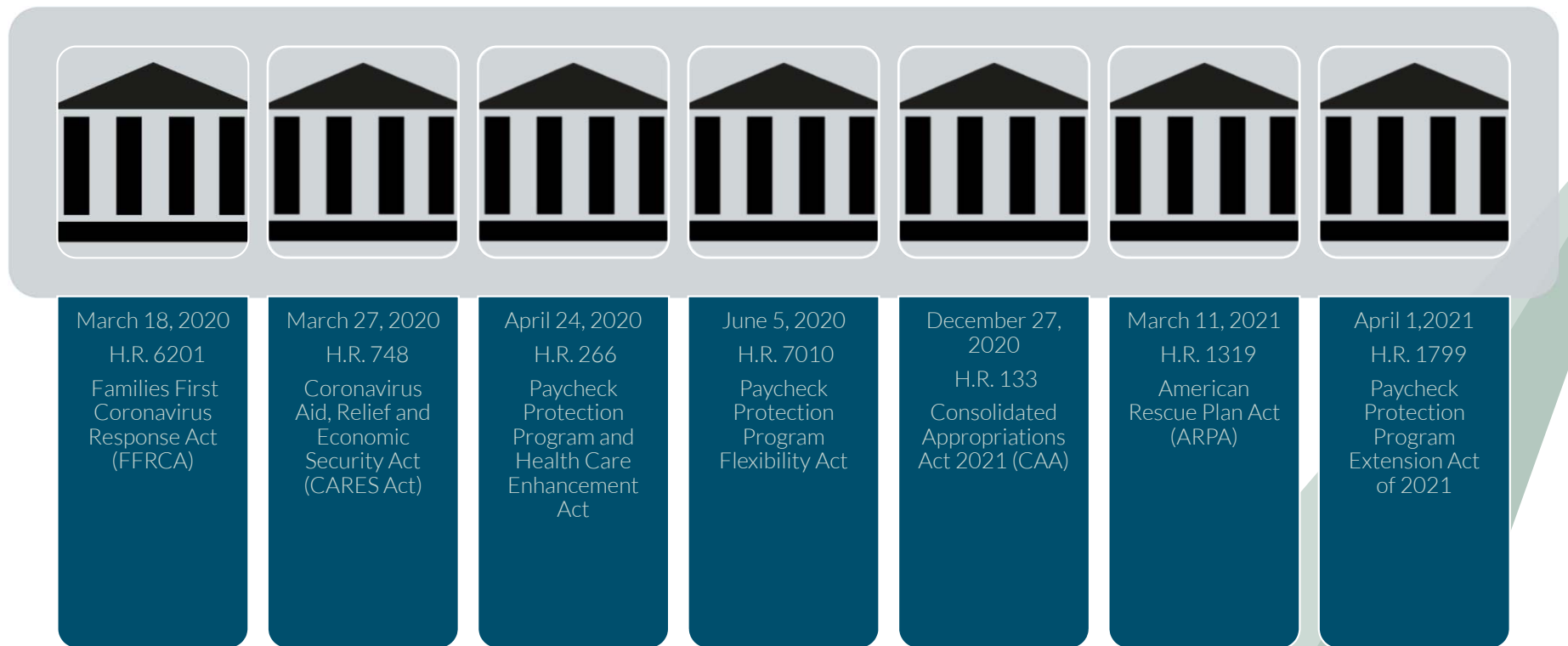
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# Agenda:

- Overview of the Employee Retention Credit
- Who qualifies for the Employee Retention Credit
- How to calculate the Employee Retention Credit
- How to file for the Employee Retention Credit
- Questions

# COVID-19 Federal response: Key provisions impacting employers



# Overview of Employee Retention Credit

- March 27, 2020 H.R. 748 Coronavirus Aid, Relief and Economic Security Act (CARES Act)
- December 27, 2020 H.R. 133 Consolidated Appropriations Act 2021 (CAA)
  - Retro Active Changes to 03/13/2020 to 12/31/2020
  - Extended ERC 01/01/2021 to 06/30/2021
- March 11, 2021 H.R. 1319 American Rescue Plan Act (ARPA)
  - Extended ERC 07/01/2021 to 12/31/2021
- Forms 941, 941X & 7200 & Business tax filing(1065,1120(s), 1040)

# Determining Eligibility

- All size employers can qualify.
- Small employer qualification:
  - 100 or less full-time employees for 2020 credit and 500 or less full-time employees for 2021 credit.
- All Others:
  - Over 100 for 2020 or 500 for 2021. Qualifying wage are only wages paid to employees “not working”
- **\*\*\* Full-time employee\*\*\***
  - An employee who worked an average of at least 30 hours per week or 130 hours in any month in 2019.
- Aggregation Rules:
  - Separate entities under common control would be treated as a single employer for determining full-time employees.

# Eligible Circumstances: Either/Or

## Full or Partial Closure

- Operations either fully or partially suspended due to orders from a government authority due to Covid-19 that have more than a nominal effect on business operations.

## Significant (50% or more) Decline in Gross Receipts

- Gross receipts declined by more than 50% when comparing 2020 to 2019.
- Can compare by year or by quarter.

# Examples of Full or Partial Closure

- Government order closing your business for any period of time.
- Government order restricting capacity to enable social distancing. i.e. half capacity inside dining or lobby.
- Adjustments to delivery methods. i.e. take out only
- [#34](https://www.irs.gov/newsroom/covid-19-related-employee-retention-credits-determining-when-an-employers-trade-or-business-operations-are-considered-to-be-fully-or-partially-suspended-due-to-a-governmental-order-faqs)

# Qualified Wages - 2020

- Includes gross wages subject to social security taxes and allocable group health care benefits
  - Includes HDHP's, HRAs, FSAs
  - Not HSAs or QSEHRAs
- Wages for this credit do not include wages for which the employer received a tax credit for paid sick and family leave under the Families First Coronavirus Response Act.
- 2020 Credit = 50% of qualified wages
- Wages paid on or after March 13, 2020 – December 31, 2020
  - Max Wages = \$10,000 per employee FOR YEAR
  - Max Credit = \$5,000 per employee for year



# Qualified Wages - 2020

- Wages paid to related individuals are not taken into account for purposes of the Employee Retention Credit.
  - A related individual is any employee who has of any of the following relationships to the employer:
    - A child or a descendant of a child
    - A brother, sister, stepbrother, or stepsister
    - The father or mother, or an ancestor of either
    - A stepfather or stepmother
    - A niece or nephew
    - An aunt or uncle
    - A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.
- Wages paid to Owners and Owners spouses do qualify as ERC wages and do not fit under the above restrictions

# Qualified Wages - 2021

- **Gross Receipts:**
  - 20% decrease of 2021 quarter rather than 50% decrease of 2020 quarter.
  - Continues to be compared to same quarter of 2019.
- **Credit = Raised to 70% of qualified wages**
- **Wages paid on or after January 1, 2021 – December 31, 2021**
  - Max Wages = \$10,000 per employee PER QUARTER
  - Max Credit = \$7,000 per employee per quarter

# Gross Receipts Comparison

## Profit and Loss

January - December 2020

	Jan - Mar, 2020			Apr - Jun, 2020			Jul - Sep, 2020			Oct - Dec, 2020			Total		
	Current	Jan - Mar, 2019 (PY)	% Change	Current	Apr - Jun, 2019 (PY)	% Change	Current	Jul - Sep, 2019 (PY)	% Change	Current	Oct - Dec, 2019 (PY)	% Change	Current	Jan - Dec 2019 (PY)	% Change
<b>Income</b>															
<b>Management Income</b>	142,000.00	127,435.64	11.43%	1,450.00	120,796.75	-98.80%	129,500.00	118,950.00	8.87%	151,500.00	108,844.00	39.19%	424,450.00	476,026.39	-10.83%
<b>Massages Income</b>	212,896.89	211,265.96	0.77%	149,810.78	233,371.68	-35.81%	186,200.28	232,797.89	-20.02%	221,354.42	261,382.25	-15.31%	770,262.37	938,817.78	-17.95%
<b>Refunds</b>		-270.00	100.00%	-160.00	-100.00	-60.00%				-719.93	-780.00	7.70%	-879.93	-1,150.00	23.48%
<b>Total Income</b>	<b>\$354,896.89</b>	<b>\$338,431.60</b>	<b>4.87%</b>	<b>\$151,100.78</b>	<b>\$354,068.43</b>	<b>-57.32%</b>	<b>\$315,700.28</b>	<b>\$351,747.89</b>	<b>-10.25%</b>	<b>\$372,134.49</b>	<b>\$369,446.25</b>	<b>0.73%</b>	<b>\$1,193,832.44</b>	<b>\$ 1,413,694.17</b>	<b>-15.55%</b>
<b>Retirement</b>	113.14			4.59			18.66			32.18			168.57		0.00
<b>Employee Benefits</b>		95.00			133.60			182.29			161.13		0.00	572.02	
<b>Officer Wages</b>		12,960.00			12,320.00			12,960.00			6,160.00		0.00	44,400.00	
<b>Payroll Taxes</b>	22,318.90	22,346.80		7,492.05	18,258.59		19,230.42	20,937.02		17,043.94	17,032.78		66,085.31	78,575.19	
<b>Salaries and Wages</b>	269,160.79	256,806.96		93,107.90	217,909.49		243,940.54	251,268.91		274,866.32	210,756.06		881,075.55	936,741.42	
<b>Total Wages</b>				<b>\$100,604.54</b>	<b>\$248,621.68</b>		<b>\$263,189.62</b>	<b>\$285,348.22</b>							
<b>ERC Eligible (&gt;50%)</b>	No			Yes			Yes			No					
<b>ERC Eligible (Partial Closure)</b>	March 13 & on - YES			Yes			Yes			Yes					

- 2020 Gross Receipts Test: Eligible starting in Quarter where receipts drop below 50% and until EOQ in which gross receipts arrive at 80% of PY
  - Example above, Q2 was down 57%. Q3 was down only 10%. Under GR wages would qualify until EOQ 3

# ERC Calculation

<u>ERC Qualified Wages</u> (>50%) earned from 3/13-12/31	<u>PPP Wages during</u> 4/28-10/12	<u>ERC Wages Used on</u> outside period wages	<u>ERC wages Used on</u> inside period wages	<u>Total ERC</u> Wages Used	<u>Remaining PPP</u> Wages after ERC
25,174.14	14,284.75	10,889.39	(889.39)	10,000.00	14284.75
873.50	-	873.50	-	873.50	
25,869.80	13,874.60	11,995.20	(1,995.20)	10,000.00	13874.6
6,249.28	2,642.00	3,607.28	2,642.00	6,249.28	
11,640.00	6,256.50	5,383.50	4,616.50	10,000.00	1640
25,126.16	14,295.24	10,830.92	(830.92)	10,000.00	14295.24
7,807.55	3,227.68	4,579.87	3,227.68	7,807.55	
5,811.43	-	5,811.43	-	5,811.43	
25,442.81	14,120.00	11,322.81	(1,322.81)	10,000.00	14120
8,783.33	3,660.58	5,122.75	3,660.58	8,783.33	
24,302.86	13,442.55	10,860.31	(860.31)	10,000.00	13442.55
19,313.24	11,439.64	7,873.60	2,126.40	10,000.00	9313.24
23,640.78	12,612.07	11,028.71	(1,028.71)	10,000.00	12612.07
-	-	-	-	-	
22,834.87	12,455.36	10,379.51	(379.51)	10,000.00	12455.36
2,651.42	837.24	1,814.18	837.24	2,651.42	
15,630.49	8,455.51	7,174.98	2,825.02	10,000.00	5630.49
23,095.92	12,839.00	10,256.92	(256.92)	10,000.00	12839
8,515.95	3,251.58	5,264.37	3,251.58	8,515.95	
<b>654,318.78</b>	<b>374,326.75</b>	<b>297,452.03</b>	<b>121,607.19</b>	<b>419,059.22</b>	<b>243,458.92</b>
654,318.78	Total qualifying ERC Wages				
419,059.22	Max ERC wages available (10,000/Emp. Cap)				
<b>209,529.61</b>	<b>ERC Credit (50% wages)</b>				
243,458.92	Remaining PPP wages after ERC				
163,300.00	Qual. Period	4/12/2020	10/12/2020		
-					
80,158.92	(If negative, need additional wages/expenses to come up to the loan amount)				

- It is typically most beneficial to take max ERC followed by PPP loan wages
- If PPP forgiveness has:
  1. Not been applied to be forgiven/been forgiven
  2. And PPP wages have been reduced below loan amount using max ERC
- Additional qualifying expenses can be included to receive full PPP forgiveness.
  - Eligible Non-payroll Costs:
    1. Business mortgage interest
    2. Business rent or lease
    3. Business utility payments
- However, if the PPP loan forgiveness application has already been applied for or received it may be required to take PPP first and limit ERC.

# ERC Calculation – PPP Wages First

Period	TOTAL				
<u>Jan 1 - Mar 12</u>	57,116.52	-	602.72	989.00	-
<u>Mar 13 - March 31</u>	11,732.20	-	127.60	602.00	-
<u>Apr 1 - Apr 14</u>	9,595.01	-	69.44	659.00	-
<u>Apr 15 - Sept 30</u>	135,264.87	477.60	1,871.28	7,367.70	423.04
<u>Oct 1 - Dec 31</u>	58,671.97	-	1,004.48	3,878.40	2,322.48
<u>Annual Formula</u>	272,380.57	477.60	3,675.52	13,496.10	2,745.52
<u>Annual</u>	272,380.57	477.60	3,675.52	13,496.10	2,745.52
<u>ERC Qualified Wages (&gt;50%) earned from 3/13-12/31</u>	215,264.05	477.60	3,072.80	12,507.10	2,745.52
<u>PPP Wages during 4/15-9/30</u>	135,264.87	477.60	1,871.28	7,367.70	423.04
<u>ERC Wages outside of PPP</u>	79,999.18	-	1,201.52	5,139.40	2,322.48
<u>ERC Wages Used on outside period wages</u>	74,312.18	-	1,201.52	5,139.40	2,322.48
<u>Remaining ERC available</u>	140,951.87	477.60	1,871.28	7,367.70	423.04
<u>ERC wages inside PPP period</u>	84,716.40	477.60	1,871.28	4,860.60	423.04
<u>ERC Wages Used</u>	159,028.58	477.60	3,072.80	10,000.00	2,745.52
<u>Remaining PPP Wages after ERC</u>	50,548.47	-	-	2,507.10	-
<u>ERC First</u>					
<u>Total Qualifying ERC Wages</u>	215,264.05				
<u>Max ERC Wages (up to 10k per employee limit)</u>	159,028.58				
<u>ERC Credit</u>	79,514.29				
<u>Remaining Qualified wages to use PPP</u>	50,548.47				
<u>PPP Loan 1 (PBC)</u>	53,100.00	Distrition Date	5/11/2020	10/26/2020	
<u>Additional expenses and</u>					
<u>Remainder</u>	(2,551.53)	Forgiveness already applied for, need to take PPP First			
<u>PPP First</u>					
<u>PPP Wages</u>	135,264.87				
<u>PPP Loan 1 (PBC)</u>	53,100.00	Distrition Date	5/11/2020	10/26/2020	
<u>Remaing Wages in PPP Period</u>	82,164.87				
<u>ERC Wages outside of PPP Period</u>	74,312.18				
<u>Total ERC remaining Wages</u>	156,477.05				
<u>ERC Credit (actual)</u>	78,238.53				

- Because PPP Loan forgiveness was already forgiven and ERC wages pull PPP wages below forgiven loan amount PPP will need to be used first. This will limit the ERC credit

# How ERC Has Changed

	CARES: 3/13/20 to 12/31/20	CAA: 3/13/20 to 12/31/20	CAA: 1/1/21 to 06/30/21	ARPA: 07/1/21 to 12/31/21
PPP Loan Interaction	No ERC if employer used a PPP loan	Employers that used a PPP loan can now claim the ERC as long as the credits are not taken on direct PPP payroll expenses.	NO CHANGE: Employers that used a PPP loan can now claim the ERC as long as the credits are not taken on direct PPP payroll expenses.	NO CHANGE: Employers that used a PPP loan can now claim the ERC as long as the credits are not taken on direct PPP payroll expenses.
Maximum creditable wages per employee	\$10,000 per year	\$10,000 per year	\$10,000 per quarter	\$10,000 per quarter
Maximum credit	Up to \$5,000 per employee	Up to \$5,000 per employee	Up to \$14,000 per employee	Up to \$14,000 per employee
Threshold to be considered a "large employer based on full-time employees.	More than 100	More than 100	More than 500	More than 500

# Form 941

Form **941 for 2021: Employer's QUARTERLY Federal Tax Return**  
 (Rev. March 2021) Department of the Treasury — Internal Revenue Service

950121  
 OMB No. 1545-0029

Employer identification number (EIN)  -

Name (not your trade name)

Trade name (if any)

Address   
Number Street Suite or room number

City State ZIP code

Foreign country name Foreign province/county Foreign postal code

**Report for this Quarter of 2021**  
 (Check one.)

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Go to [www.irs.gov/Form941](http://www.irs.gov/Form941) for instructions and the latest information.

Read the separate instructions before you complete Form 941. Type or print within the boxes.

**Part 1: Answer these questions for this quarter.**

1 Number of employees who received wages, tips, or other compensation for the pay period including: *Mar. 12* (Quarter 1), *June 12* (Quarter 2), *Sept. 12* (Quarter 3), or *Dec. 12* (Quarter 4) 1

2 Wages, tips, and other compensation 2

3 Federal income tax withheld from wages, tips, and other compensation 3

4 If no wages, tips, and other compensation are subject to social security or Medicare tax  Check and go to line 6.

	Column 1	Column 2
5a Taxable social security wages . . .	<input type="text"/>	<input type="text"/>
5a (i) Qualified sick leave wages . . .	<input type="text"/>	<input type="text"/>
5a (ii) Qualified family leave wages . . .	<input type="text"/>	<input type="text"/>
5b Taxable social security tips . . .	<input type="text"/>	<input type="text"/>
5c Taxable Medicare wages & tips . . .	<input type="text"/>	<input type="text"/>
5d Taxable wages & tips subject to Additional Medicare Tax withholding <input type="text"/>	<input type="text"/>	<input type="text"/>

5e Total social security and Medicare taxes. Add Column 2 from lines 5a, 5a(i), 5a(ii), 5b, 5c, and 5d 5e

5f Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions) . . . 5f

6 Total taxes before adjustments. Add lines 3, 5e, and 5f . . . . . 6

7 Current quarter's adjustment for fractions of cents . . . . . 7

8 Current quarter's adjustment for sick pay . . . . . 8

9 Current quarter's adjustments for tips and group-term life insurance . . . . . 9

10 Total taxes after adjustments. Combine lines 6 through 9 . . . . . 10

11a Qualified small business payroll tax credit for increasing research activities. Attach Form 8974 11a

11b Nonrefundable portion of credit for qualified sick and family leave wages from Worksheet 1 11b

11c Nonrefundable portion of employee retention credit from Worksheet 1 . . . . . 11c

**You MUST complete all three pages of Form 941 and SIGN it.** Next   
 For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. Cat. No. 17001Z Form **941** (Rev. 3-2021)

Line 11c Nonrefundable portion of employee retention credit

# Form 941 continued

## 941 form page 2

Name (not your trade name)		Employer identification number (EIN)
<b>Part 1: Answer these questions for this quarter. (continued)</b>		
11d Total nonrefundable credits. Add lines 11a, 11b, and 11c . . . . .	11d	<input type="text"/>
12 Total taxes after adjustments and nonrefundable credits. Subtract line 11d from line 10 . . . . .	12	<input type="text"/>
13a Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter . . . . .	13a	<input type="text"/>
13b Reserved for future use . . . . .	13b	<input type="text"/>
13c Refundable portion of credit for qualified sick and family leave wages from Worksheet 1 . . . . .	13c	<input type="text"/>
13d Refundable portion of employee retention credit from Worksheet 1 . . . . .	13d	<input type="text"/>
13e Total deposits and refundable credits. Add lines 13a, 13c, and 13d . . . . .	13e	<input type="text"/>
13f Total advances received from filing Form(s) 7200 for the quarter . . . . .	13f	<input type="text"/>
13g Total deposits and refundable credits less advances. Subtract line 13f from line 13e . . . . .	13g	<input type="text"/>
14 Balance due. If line 12 is more than line 13g, enter the difference and see instructions . . . . .	14	<input type="text"/>
15 Overpayment. If line 13g is more than line 12, enter the difference <input type="text"/> Check one: <input type="checkbox"/> Apply to next return. <input type="checkbox"/> Send a refund.		

## 941 form page 3

Name (not your trade name)		Employer identification number (EIN)
<b>Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.</b>		
17 If your business has closed or you stopped paying wages . . . . .	<input type="checkbox"/> Check here, and enter the final date you paid wages <input type="text"/> / <input type="text"/> / <input type="text"/> ; also attach a statement to your return. See instructions.	
18 If you're a seasonal employer and you don't have to file a return for every quarter of the year . . . . .	<input type="checkbox"/> Check here.	
19 Qualified health plan expenses allocable to qualified sick leave wages . . . . .	19	<input type="text"/>
20 Qualified health plan expenses allocable to qualified family leave wages . . . . .	20	<input type="text"/>
21 Qualified wages for the employee retention credit . . . . .	21	<input type="text"/>
22 Qualified health plan expenses allocable to wages reported on line 21 . . . . .	22	<input type="text"/>
23 Credit from Form 5884-C, line 11, for this quarter . . . . .	23	<input type="text"/>
24 Reserved for future use . . . . .	24	<input type="text"/>
25 Reserved for future use . . . . .	25	<input type="text"/>



# Form 941 Instructions

## Determine how you will complete this worksheet

If you paid both qualified sick and family leave wages and qualified wages for purposes of the employee retention credit this quarter, complete Step 1, Step 2, and Step 3. If you paid qualified sick and family leave wages this quarter but you didn't pay any qualified wages for purposes of the employee retention credit this quarter, complete Step 1 and Step 2. If you paid qualified wages for purposes of the employee retention credit this quarter but you didn't pay any qualified sick and family leave wages this quarter, complete Step 1 and Step 3.

### Step 1. Determine the employer share of social security tax this quarter after it is reduced by any credit claimed on Form 8974 and any credit to be claimed on Form 5884-C and/or Form 5884-D

1a	Enter the amount of social security tax from Form 941, Part 1, <a href="#">line 5a</a> , column 2	1a	_____
1b	Enter the amount of social security tax from Form 941, Part 1, <a href="#">line 5b</a> , column 2	1b	_____
1c	Add lines 1a and 1b	1c	_____
1d	Multiply line 1c by 50% (0.50)	1d	_____
1e	If you're a third-party payer of sick pay that isn't an agent and you're claiming credits for amounts paid to your employees, enter the employer share of social security tax included on Form 941, Part 1, <a href="#">line 8</a> (enter as a positive number)	1e	_____
1f	Subtract line 1e from line 1d	1f	_____
1g	If you received a Section 3121(c) Notice and Demand during the quarter, enter the amount of the employer share of social security tax from the notice	1g	_____
1h	<b>Employer share of social security tax.</b> Add lines 1f and 1g	1h	_____
1i	Enter the amount from Form 941, Part 1, <a href="#">line 11a</a> (credit from Form 8974)	1i	_____
1j	Enter the amount to be claimed on Form 5884-C, line 11, for this quarter	1j	_____
1j(i)	Enter the amount to be claimed on Form 5884-D, line 12, for this quarter	1j(i)	_____
1k	<b>Total nonrefundable credits already used against the employer share of social security tax.</b> Add lines 1i, 1j, and 1j(i)	1k	_____
1l	<b>Employer share of social security tax remaining.</b> Subtract line 1k from line 1h	1l	_____

### Step 2. Figure the sick and family leave credit

2a	Qualified sick leave wages reported on Form 941, Part 1, <a href="#">line 5a(i)</a> , column 1	2a	_____
2a(i)	Qualified sick leave wages included on Form 941, Part 1, line 5c, but not included on Form 941, Part 1, line 5a(i), column 1, because the wages reported on that line were limited by the social security wage base	2a(i)	_____
2a(ii)	Total qualified sick leave wages. Add lines 2a and 2a(i)	2a(ii)	_____
2a(iii)	Qualified sick leave wages excluded from the definition of employment under section 3121(b)	2a(iii)	_____
2b	Qualified health plan expenses allocable to qualified sick leave wages (Form 941, Part 3, <a href="#">line 13</a> )	2b	_____
2c	Employer share of Medicare tax on qualified sick leave wages. Multiply line 2a(ii) by 1.45% (0.0145)	2c	_____
2d	<b>Credit for qualified sick leave wages.</b> Add lines 2a(iii), 2b, and 2c	2d	_____
2e	Qualified family leave wages reported on Form 941, Part 1, <a href="#">line 5a(ii)</a> , column 1	2e	_____
2e(i)	Qualified family leave wages included on Form 941, Part 1, line 5c, but not included on Form 941, Part 1, line 5a(ii), column 1, because the wages reported on that line were limited by the social security wage base	2e(i)	_____
2e(ii)	Total qualified family leave wages. Add lines 2e and 2e(i)	2e(ii)	_____

2e(iii)	Qualified family leave wages excluded from the definition of employment under section 3121(b)	2e(iii)	_____
2f	Qualified health plan expenses allocable to qualified family leave wages (Form 941, Part 3, <a href="#">line 20</a> )	2f	_____
2g	Employer share of Medicare tax on qualified family leave wages. Multiply line 2e(ii) by 1.45% (0.0145)	2g	_____
2h	<b>Credit for qualified family leave wages.</b> Add lines 2e(i), 2e(iii), 2f, and 2g	2h	_____
2i	<b>Credit for qualified sick and family leave wages.</b> Add lines 2d and 2h	2i	_____
2j	<b>Nonrefundable portion of credit for qualified sick and family leave wages.</b> Enter the smaller of line 1l or line 2i. Enter this amount on Form 941, Part 1, line 11b	2j	_____
2k	<b>Refundable portion of credit for qualified sick and family leave wages.</b> Subtract line 2j from line 2i and enter this amount on Form 941, Part 1, line 13c	2k	_____

**Step 3. Figure the employee retention credit**

3a	Qualified wages (excluding qualified health plan expenses) for the employee retention credit (Form 941, Part 3, <a href="#">line 21</a> )	3a	_____
3b	Qualified health plan expenses allocable to qualified wages for the employee retention credit (Form 941, Part 3, <a href="#">line 22</a> )	3b	_____
3c	Add lines 3a and 3b	3c	_____
3d	<b>Retention credit.</b> Multiply line 3c by 70% (0.70)	3d	_____
3e	Enter the amount of the employer share of social security tax from Step 1, line 1l	3e	_____
3f	Enter the amount of the nonrefundable portion of the credit for qualified sick and family leave wages from Step 2, line 2j	3f	_____
3g	Subtract line 3f from line 3e	3g	_____
3h	<b>Nonrefundable portion of employee retention credit.</b> Enter the smaller of line 3d or line 3g. Enter this amount on Form 941, Part 1, line 11c	3h	_____
3i	<b>Refundable portion of employee retention credit.</b> Subtract line 3h from line 3d and enter this amount on Form 941, Part 1, line 13d	3i	_____

# Form 7200

## (Advance Payment of Employer Credits Due to COVID-19)

Can only be used for the current Quarter. So 2021

FAX 855-248-0552

If your 941 tax deposit is less than your calculated credit you can get money back now. Rather than waiting until end of the quarter.

**Form 7200** | **Advance Payment of Employer Credits Due to COVID-19**  
 (Rev. January 2021)  
 Department of the Treasury  
 Internal Revenue Service

OMB No. 1545-0029

Go to [www.irs.gov/Form7200](http://www.irs.gov/Form7200) for instructions and the latest information.

Name (not your trade name) \_\_\_\_\_ **Employer identification number (EIN)** \_\_\_\_\_

Trade name (if any) \_\_\_\_\_

Number, street, and apt. or suite no. If a P.O. box, see instructions. \_\_\_\_\_

City or town, state, and ZIP code. If a foreign address, also complete spaces below. (See instructions.) \_\_\_\_\_

Foreign country name \_\_\_\_\_ Foreign province/county \_\_\_\_\_ Foreign postal code \_\_\_\_\_

Name on employment tax return (third-party payer) that will report the wages and credits related to the advance you're requesting in Part II (leave blank if return is filed under your name and EIN). See instructions. \_\_\_\_\_ EIN on employment tax return (if other than your own) \_\_\_\_\_

**Tip:** File Form 7200 if you can't reduce your employment tax deposits to fully account for these credits that you expect to claim on your employment tax return for the applicable quarter, or year if you file an annual return. Don't reduce your employment tax deposits and request advanced credits for the same expected credits. You will need to reconcile your advanced credits and reduced deposits on your employment tax return. You can't request an advance payment of the credit for sick and family leave for self-employed individuals.

**Part I Tell Us About Your Employment Tax Return**

**A** Check the box to indicate which employment tax return form you file (or will file for 2021). Check only one box.  
 (1)  941, 941-PR, or 941-SS (2)  943 or 943-PR (3)  944 or 944(SP) (4)  CT-1

**B** Is this a business that started on or after January 1, 2020? You must check one box. . . . .  Yes  No

**C** Amount reported on line 2 of your most recently filed Form 941 (or wages reported on Schedule R (Form 941), column (d), by your third-party payer (see instructions)). If you file a different employment tax return or have never filed one, see instructions . . . . .

**D** Tax period of most recently filed Form 941 (for example, "Q4 2020") or annual employment tax return (for example, "2020") . . . . .

**E** If you're requesting an advance payment of the employee retention credit (Part II, line 1), enter the average number of full-time employees you had in 2019 (or 2020 if your business wasn't in existence in 2019). Aggregation rules apply. See instructions . . . . .

**F** If you're requesting an advance payment for qualified sick and/or family leave wages (Part II, lines 2 and/or 3), enter the number of employees you had when qualified leave was taken during the quarter for the advance requested. See instructions . . . . .

**Part II Enter Your Credits and Advance Requested**

<b>1</b> Total employee retention credit for the quarter. Don't enter more than the amount eligible to be advanced for the quarter. See instructions . . . . .	<b>1</b>
<b>2</b> Total qualified sick leave wages eligible for the credit and paid this quarter. See instructions . . . . .	<b>2</b>
<b>3</b> Total qualified family leave wages eligible for the credit and paid this quarter. See instructions . . . . .	<b>3</b>
<b>4</b> Add lines 1, 2, and 3 . . . . .	<b>4</b>
<b>5</b> Total amount by which you have already reduced your federal employment tax deposits for these credits for this quarter. Enter as a positive number . . . . .	<b>5</b>
<b>6</b> Total advanced credits requested on previous filings of this form for this quarter . . . . .	<b>6</b>
<b>7</b> Add lines 5 and 6 . . . . .	<b>7</b>
<b>8</b> <b>Advance requested.</b> Subtract line 7 from line 4. If zero or less, don't file this form . . . . .	<b>8</b>

# Form: 941x

Box 1 Adjust employment tax return

Box 2 Claim (get your money back)

Most are using Box 5c

Form **941-X**: Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund  
 (Rev. October 2020) Department of the Treasury — Internal Revenue Service OMB No. 1545-0029

**Employer identification number (EIN)**  -

**Name (not your trade name)**

**Trade name (if any)**

**Address**

Number  Street  Suite or room number

City  State  ZIP code

Foreign country name  Foreign province/county  Foreign postal code

Read the separate instructions before completing this form. Use this form to correct errors you made on Form 941 or 941-SS. Use a separate Form 941-X for each quarter that needs correction. Type or print within the boxes. You MUST complete all four pages. Don't attach this form to Form 941 or 941-SS unless you're reclassifying workers; see the instructions for line 36.

**Part 1: Select ONLY one process. See page 5 for additional guidance.**

1. **Adjusted employment tax return.** Check this box if you underreported amounts. Also check this box if you overreported amounts and you would like to use the adjustment process to correct the errors. You must check this box if you're correcting both underreported and overreported amounts on this form. The amount shown on line 27, if less than zero, may only be applied as a credit to your Form 941, Form 941-SS, or Form 944 for the tax period in which you're filing this form.

2. **Claim.** Check this box if you overreported amounts only and you would like to use the claim process to ask for a refund or abatement of the amount shown on line 27. Don't check this box if you're correcting ANY underreported amounts on this form.

**Return You're Correcting...**

Check the type of return you're correcting.

941  
 941-SS

Check the ONE quarter you're correcting.

1: January, February, March  
 2: April, May, June  
 3: July, August, September  
 4: October, November, December

Enter the calendar year of the quarter you're correcting.  
 (YYYY)

Enter the date you discovered errors.  
 /  /   
 (MM / DD / YYYY)

**Part 2: Complete the certifications.**

3. I certify that I've filed or will file Forms W-2, Wage and Tax Statement, or Forms W-2c, Corrected Wage and Tax Statement, as required.

**Note:** If you're correcting underreported amounts only, go to Part 3 on page 2 and skip lines 4 and 5. If you're correcting overreported amounts, for purposes of the certifications on lines 4 and 5, Medicare tax doesn't include Additional Medicare Tax. Form 941-X can't be used to correct overreported amounts of Additional Medicare Tax unless the amounts weren't withheld from employee wages or an adjustment is being made for the current year.

4. If you checked line 1 because you're adjusting overreported federal income tax, social security tax, Medicare tax, or Additional Medicare Tax, check all that apply. You must check at least one box.

I certify that:

a. I repaid or reimbursed each affected employee for the overcollected federal income tax or Additional Medicare Tax for the current year and the overcollected social security tax and Medicare tax for current and prior years. For adjustments of employee social security tax and Medicare tax overcollected in prior years, I have a written statement from each affected employee stating that he or she hasn't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection.

b. The adjustments of social security tax and Medicare tax are for the employer's share only. I couldn't find the affected employees or each affected employee didn't give me a written statement that he or she hasn't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection.

c. The adjustment is for federal income tax, social security tax, Medicare tax, or Additional Medicare Tax that I didn't withhold from employee wages.

5. If you checked line 2 because you're claiming a refund or abatement of overreported federal income tax, social security tax, Medicare tax, or Additional Medicare Tax, check all that apply. You must check at least one box.

I certify that:

a. I repaid or reimbursed each affected employee for the overcollected social security tax and Medicare tax. For claims of employee social security tax and Medicare tax overcollected in prior years, I have a written statement from each affected employee stating that he or she hasn't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection.

b. I have a written consent from each affected employee stating that I may file this claim for the employee's share of social security tax and Medicare tax. For refunds of employee social security tax and Medicare tax overcollected in prior years, I also have a written statement from each affected employee stating that he or she hasn't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection.

c. The claim for social security tax and Medicare tax is for the employer's share only. I couldn't find the affected employees, or each affected employee didn't give me a written consent to file a claim for the employee's share of social security tax and Medicare tax, or each affected employee didn't give me a written statement that he or she hasn't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection.

d. The claim is for federal income tax, social security tax, Medicare tax, or Additional Medicare Tax that I didn't withhold from employee wages.

**Next** ▶

For Paperwork Reduction Act Notice, see the separate instructions. [www.irs.gov/Form941X](http://www.irs.gov/Form941X) Cat. No. 17025J Form **941-X** (Rev. 10-2020)

# Form 941x continued

## Form 941x page 2

**Part 3: Enter the corrections for this quarter. If any line doesn't apply, leave it blank.**

	Column 1 Total corrected amount (for ALL employees)	Column 2 Amount originally reported or as previously corrected (for ALL employees)	Column 3 Difference (If this amount is a negative number, use a minus sign.)	Column 4 Tax correction
18. Nonrefundable portion of employee retention credit (Form 941 or 941-SS, line 11c)	<input type="text"/>	<input type="text"/>	<input type="text"/>	See instructions <input type="text"/>
19. Special addition to wages for federal income tax	<input type="text"/>	<input type="text"/>	<input type="text"/>	See instructions <input type="text"/>
20. Special addition to wages for social security taxes	<input type="text"/>	<input type="text"/>	<input type="text"/>	See instructions <input type="text"/>
21. Special addition to wages for Medicare taxes	<input type="text"/>	<input type="text"/>	<input type="text"/>	See instructions <input type="text"/>
22. Special addition to wages for Additional Medicare Tax	<input type="text"/>	<input type="text"/>	<input type="text"/>	See instructions <input type="text"/>
23. Combine the amounts on lines 7 through 22 of Column 4				<input type="text"/>

## Form 941x page 3

**Part 3: Enter the corrections for this quarter. If any line doesn't apply, leave it blank. (continued)**

	Column 1 Total corrected amount (for ALL employees)	Column 2 Amount originally reported or as previously corrected (for ALL employees)	Column 3 Difference (If this amount is a negative number, use a minus sign.)	Column 4 Tax correction
26. Refundable portion of employee retention credit (Form 941 or 941-SS, line 13d)	<input type="text"/>	<input type="text"/>	<input type="text"/>	See instructions <input type="text"/>
27. Total. Combine the amounts on lines 23 through 26 of Column 4				<input type="text"/>
<p><b>If line 27 is less than zero:</b></p> <ul style="list-style-type: none"> <li>If you checked line 1, this is the amount you want applied as a credit to your Form 941 or 941-SS for the tax period in which you're filing this form. (If you're currently filing a Form 944, Employer's ANNUAL Federal Tax Return, see the instructions.)</li> <li>If you checked line 2, this is the amount you want refunded or abated.</li> </ul> <p><b>If line 27 is more than zero, this is the amount you owe.</b> Pay this amount by the time you file this return. For information on how to pay, see Amount you owe in the instructions.</p>				
28. Qualified health plan expenses allocable to qualified sick leave wages (Form 941 or 941-SS, line 19)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
29. Qualified health plan expenses allocable to qualified family leave wages (Form 941 or 941-SS, line 20)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
30. Qualified wages for the employee retention credit (Form 941 or 941-SS, line 21)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
31. Qualified health plan expenses allocable to wages reported on Form 941 or 941-SS, line 21 (Form 941 or 941-SS, line 22)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
32. Credit from Form 5884-C, line 11, for this quarter (Form 941 or 941-SS, line 23)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
33a. Qualified wages paid March 13 through March 31, 2020, for the employee retention credit (use this line to correct only the second quarter of 2020) (Form 941 or 941-SS, line 24)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

# Form 941x continued

## Form 941x page 4

Name (not your trade name)	Employer identification number (EIN)	Correcting quarter (1, 2, 3, 4)
		Correcting calendar year (YYYY)

**Part 4: Explain your corrections for this quarter.**

- 35. Check here if any corrections you entered on a line include both underreported and overreported amounts. Explain both your underreported and overreported amounts on line 37.
- 36. Check here if any corrections involve reclassified workers. Explain on line 37.
- 37. You must give us a detailed explanation of how you determined your corrections. See the instructions.

Due to legislative changes inacted 12/27/2020 taxpayer is now eligible for the employee retention tax credit. There was a partial closure of the business during the period MM, DD, YYYY to MM, DD, YYYY
Due to legislative change inacted 12/27/2020 taxpayer is now eligible for the employee retention tax credit. There was a reduction of gross receipts creating a qualifying period of MM DD YYYY to MM DD YYYY.

# Business tax filings (1065, 1120S, Schedule C, F, E)

- Please note you will need to reduce wage deduction on business tax filings. In the year of your qualifying wages.
- You may need to amend your 2020 tax return
- This is a taxable Credit



**HINTON BURDICK**  
CPAs & ADVISORS

# Thank You!

[www.hintonburdick.com](http://www.hintonburdick.com)

If you have any questions please contact

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