

Tulsa Tax Attorney David Potts - Claiming the employee retention credit in the first and second calendar quarters 2021

April 13, 2021

IRS issued guidance for employers claiming the employee retention credit under the Coronavirus Aid, Relief, and Economic Security Act modified by the Taxpayer Certainty and Disaster Tax Relief Act of 2020.

Notice 2021-23 explains the changes for the first and second calendar quarters of 2021, including:

- the increase in the maximum credit amount
- the expansion of the category of employers that may be eligible to claim the credit
- modifications to the gross receipts test
- revisions to the definition of qualified wages
- new restrictions on the ability of eligible employers to request an advance payment of the credit

Eligible employers can now claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages they pay to employees after December 31, 2020, through June 30, 2021. Qualified wages are limited to \$10,000 per employee per calendar quarter in 2021. The maximum employee retention credit available is \$7,000 per employee per calendar quarter, for a total of \$14,000 for the first two calendar quarters of 2021.

Employers can get the employee retention credit for the first two calendar quarters of 2021 before filing their employment tax returns by reducing employment tax deposits. Small employers may request advance payment of the credit on Form 7200, Advance of Employer Credits Due to COVID-19, after reducing deposits. Some limits and eligibility requirements apply. In 2021, advances are not available for large employers. Instructions on how to calculate and claim the employee retention credit for the first two calendar quarters of 2021 are available in Notice 2021-23.

Under the American Rescue Plan Act of 2021, the employee retention credit is available to eligible employers for wages paid during the third and fourth quarters of 2021. The Department of the Treasury and the IRS will provide further guidance on this later.

Attorneys

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