

# HAVE YOU CLAIMED YOUR EMPLOYEE RETENTION CREDITS?

ROANOKE REGIONAL SMALL BUSINESS DEVELOPMENT CENTER



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## DISCLAIMER

*The information provided in this workshop is based on documents available as of December 8, 2021. We have made our best efforts to properly interpret the information. The SBA and other government entities may modify, change or delete any or all of the procedures. You should always consult your accountant or attorney if you have any questions, or before you submit any application or select to participate in any program.*

*References: IRS Notice 2021-49, IRS Notice 2021-23, IRS Notice 2021-20  
IRS Notice 2021-65*



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# Employee Retention Tax Credits-ERC

## Quick Facts

- Less than 15% of small businesses have taken advantage
- Over 50% of accountants haven't filed any ERC credits
- Startup Businesses also qualify
- Can go back to 2<sup>nd</sup> Quarter of 2020
- Ended on Sept 30, 2021 – except for Recovery Start Up



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## What is the 2020 ERC?

- Provides a tax credit for any business that experienced one of the following: (only applies to business with less than 100 employees)
  - Your business was fully or partially suspended in 2020 due to orders from an appropriate governmental authority limiting commerce, travel or group meetings due to COVID-19. **OR**
  - Had more than a 50% decline in gross receipts for any quarter in 2020 vs same quarter in 2019.
  - Can be for profit, or non-profit
  - Not available for self-employed unless you have employees and then only for the employees, not owner.
  - **Is available even if received PPP, RRF, EIDL or SVOG funds.**



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## What is the 2021 ERC?

- Provides a tax credit for any business that experienced one of the following: (only applies to business with less than 100 employees)
  - Your business was fully or partially suspended in 2020 due to orders from an appropriate governmental authority limiting commerce, travel or group meetings due to COVID-19. **OR**
  - Had more than a 20% decline in gross receipts for any quarter in 2021 vs same quarter in 2019 (in some cases 2021 vs 2020)
  - Can be for profit, or non-profit
  - Not available for self-employed unless they have employees and then only for their employees, not owner.
  - **Is available even if received PPP, RRF, EIDL or SVOG funds.**



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## What is a Recovery Startup Business?

- Business must have started operating after 2/15/2020 \*
  - \* Business has begun to function as a going concern & perform activities for which it was organized.
- New for 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2021
- Having gross sales of less than \$1,000,000 per calendar year.
- No requirement for decrease sales, etc.
- Can still qualify for regular ERC
- 70% of all wages, up to \$10,000 per employee per quarter
- Maximum amount company can claim is \$50,000 per quarter, or \$100,000 total
- Can apply to new non-profit (501c3)



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## What are Gross Receipts

- Total Sales (net of returns or allowances, same as federal tax return)
- Does not include:
  - PPP loans (even if not forgiven)
  - EIDL Advances (EIDL loans or any loans would not count)
  - Restaurant Revitalization Funds
  - Shuttered Venue Operator Grants
  - Does include most local and state grants



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## What are Gross Receipts – Nonprofit

- Gross amount received from all sources including, but not limited to:
  - Contributions
  - Gifts
  - Grants
  - Dues or assessments
  - Organization activities – events, fundraisers, etc.
  - Gross sales of assets
  - Investment income
- Does not include:
  - PPP loans (even if not forgiven)
  - EIDL Advances (EIDL loans or any loans would not count)
  - Shuttered Venue Operator Grants



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## Aggregation Rules

When multiple companies are owned or run by the same owners. See IRS Notice 2021-20, page 21 for detailed information.



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## How is the 50% decline determined for 2020?

- It is based on the gross revenue for a quarter compared to the same quarter of 2019. (After March 12, 2020)
- The credit will continue until your quarterly revenue has reached 80% compared to same quarter in 2019 and will include that quarter or December 31, 2020.



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## How is the 80% determined (changes for 2021: Jan 1 – Sep 30, 2021)

- If revenue in any quarter of 2021 is less than 80% of the same quarter in 2019.
- If business was not in operation for the comparable quarter of 2019, then you would use the comparable quarter of 2020.
- Can select the “Alternative Quarter” – can select the immediately preceding quarter with the comparable quarter in 2019 (or 2020)
- The credit will continue until your quarterly revenue has reached 80% compared to same quarter in 2019 and will include that quarter. (substitute 2020 if not open in 2019).



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## What is the amount of the credit for 2020?

- Equal to 50% of the qualified wages paid to eligible employees during the covered period.
- Qualified wages include health care insurance paid by employer and premiums paid by employee with pre-tax dollars.
- Maximum amount of qualified wages that you can claim credit is \$10,000 or a maximum \$5,000 credit per employee for the year.
- Can cross over to multiple quarters if quarter is still qualified.
- Even if the employee is still working, you can claim the credit.
- Covered period is from March 13 – Dec 31, 2020.



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## What is the amount of the credit for 2021?

- Equal to 70% of the qualified wages paid to eligible employees during the covered period.
- Maximum amount of qualified wages that you can claim credit for is \$10,000 or a maximum \$7,000 per employee **per quarter**.
- Even if the employee is still working, you can claim the credit.
- Qualified wages include health care insurance paid by employer and premiums paid by employee with pre-tax dollars.
- Covered period is from January 1, 2021 – Sept 30, 2021.



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## ERC Summary

Item	ERC Round 1 3/13/20 – 12/31/20	ERC Round 2 1/1/21 – 6/30/21	ERC Round 3 7/1/21 – 9/30/21
Use with PPP, EIDL advance, RRF, SVOG	Yes, but not the same wages	Yes, but not the same wages	Yes, but not the same wages
Eligible wage base	\$10,000 per employee for the year	\$10,000 per employee per quarter	\$10,000 per employee per quarter
Credit Amount	50%	70%	70%
Max amount credit	\$5,000 per employee for year	\$7,000 per employee per quarter	\$7,000 per employee per quarter
Recovery Start Up Business (2/16/20)	Not available	Not available	\$7,000 per employee per quarter (also 4 <sup>th</sup> qtr)
Recovery Start Up Business – Maximum claim amount	Not available	Not available	\$50,000 per quarter, \$100,000 total (also 4 <sup>th</sup> qtr)



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## Employee Retention Tax Credits-Examples

Example 1: Credit to be claimed for 2020 payroll

Quarter	Gross Receipts 2019	Gross Receipts 2020	2020 vs 2019	Eligible Quarter
1	\$30,000	\$28,000	93%	No
2	\$40,000	\$18,000	45%	Yes
3	\$50,000	\$40,000	80%	Yes*
4	\$55,000	\$55,000	100%	No



\* Still eligible for that quarter, but would not for the next

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## Employee Retention Tax Credits-Examples

Example 2: Credit to be claimed for 2021 payroll

Quarter	Gross Receipts 2019	Gross Receipts 2021	2021 vs 2019	Eligible Quarter
1	\$30,000	\$22,500	75%	Yes
2	\$40,000	\$33,000	82%	Yes*
3	\$40,000	\$39,000	97%	No



\* Available for the quarter that you reached 80%

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## Employee Retention Tax Credits-Examples

Example 3: Credit to be claimed for 2020 payroll (all qualified quarters)

Employee	Wages Paid Q2	Qualified Wages Q2	Wages Paid Q3	Qualified Wages Q3	Wages Paid Q4	Qualified Wages Q4
1	\$15,000	\$10,000	\$15,000	\$0	\$15,000	\$0
2	\$6,000	\$6,000	\$8,000	\$4,000	\$6,000	\$0
3	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Totals		\$19,000		\$7,000		\$3,000



Potential credit of qualified wages = \$19,000 + \$7,000 + \$3,000 = \$29,000  
Credit = 50% or \$14,500.

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## Employee Retention Tax Credits-Examples

Example 3: Credit to be claimed for 2021 payroll - assuming qualified for all 3 quarters

Employee	Wages Paid Q1	Qualified Wages Q1	Wages Paid Q2	Qualified Wages Q2	Wages Paid Q3	Qualified Wages Q3	Wages Paid Q4	Qualified Wages Q4
1	\$15,000	\$10,000	\$15,000	\$10,000	\$8,000	\$8,000	0	0
2	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	0	0
3	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	0	0
Totals		\$20,000		\$20,000		\$18,000		0
Potential credit of qualified wages = \$20,000 + \$20,000 + \$18,000 = \$58,000 Credit = 70% or \$40,600.								



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## Recovery Startup Business

Example 4: Taken for 3<sup>rd</sup> and 4<sup>th</sup> Quarter of 2021 (business started after 2/15/20)

Employee	Wages Paid Q3	Qualified Wages Q3	Wages Paid Q4	Qualified Wages Q4
1	\$15,000	\$10,000	\$15,000	\$10,000
2	\$7,000	\$7,000	\$7,000	\$7,000
3	\$3,000	\$3,000	\$3,000	\$3,000
Totals		\$20,000		\$20,000
Potential credit of qualified wages = \$20,000 + \$20,000 = \$40,000 Credit = \$28,000				



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## Other Issues

- CARES funds – cannot use same money to claim ERC as you used for payroll (might modify your forgiveness application). This covers:
  - PPP
  - SVOG
  - RRF
  - WOTC
  - FFCRA
- Payroll used for ERC credits are non-deductible on federal tax return
- Statue of limitation for 941 audits is 5 years (not normal 3)
- Severely Financially Distressed Employer is one that had a decline of 90% or more. All wages are considered.



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## PPP vs ERC

	Jan 21	Feb 21	Mar 21	1 <sup>st</sup> Quarter	ERC Credit @ 70%
Total Payroll	\$20,000	\$25,000	\$30,000	\$75,000	
PPP*	\$20,000	\$25,000	\$5,000	\$50,000	
ERC Wages	\$0	\$0	\$25,000	\$25,000	\$17,500
PPP**	\$20,000	\$10,000	\$0	\$30,000	
ERC Wages	\$0	\$15,000	\$30,000	\$45,000	\$31,500

\*PPP loan of \$50,000 all used as payroll

\*\* PPP loan of \$50,000. 60% for payroll = \$30,000



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## Employee Retention Tax Credits-FAQ

- 1) Are employers required to withhold employment taxes on qualified wages? **YES**
- 2) Are self employed individuals eligible? **NO, unless you have employees, then you can get credit for employees only.**
- 3) If a business decides to close, or reduce it's hours of operations even though it was not required to, can they obtain the credit? **NO, unless they would qualify under the 50% (80% rule for 2021) reduction of revenue.**
- 4) If an essential business is shutdown because the supply chain is shutdown, can they claim the credit. **MAYBE, each circumstance has to be looked at as to whether there is a restriction on the operation. Restrictions of customers to stay home does not qualify as a shutdown or partial shutdown.**
- 5) If a business is required to shutdown, or partial suspension, but then opens back up, how does one claim the credit. **Credit can only be claimed during the period of shutdown, or partial suspension.**



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## Employee Retention Tax Credits-FAQ

6) What are gross receipts? *Same as would be reported on your federal tax return.*

7) What if a business did not operate for all of 2019? *Use the first full period of 2019 for your baseline for the first periods of 2020. Example: You opened on April 1, 2019. Then you can use the 2<sup>nd</sup> quarter of 2019 as base period for 1<sup>st</sup> and 2<sup>nd</sup> quarter of 2020. You would then use 3<sup>rd</sup> quarter 2019 to compare to 3<sup>rd</sup> quarter 2020 and 4<sup>th</sup> quarter 2019 to compare 4<sup>th</sup> quarter 2020.*

8) I purchased a business in 2020, can I still take the ERC? *Yes, if you acquired a business, either stock, asset or other form of acquisition, then you can take the credit and base the 2019 numbers on the acquired company.*



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## Employee Retention Tax Credits-FAQ

9) What are gross receipts for a tax-exempt organization? *Includes gross receipts from all operations to include unrelated business income, investment income, contributions, grants, dividends, rents, and any income derived from the function of the organization.*

**10) Are wages paid to related individuals of the employer considered qualified wages?**

No, any wages paid to any child, grandchild, brother, sister, stepbrother, stepsister, father, mother, stepfather, stepmother, niece, nephew, aunt, uncle, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law do not qualify for wages for the credit.\* In addition, does not apply to wages paid to majority owner, or spouse of majority owner.

\* May not apply to payment made to owner, spouse of owner, or any relative where the owner owns less than 50% of business. IRS Notice 2021-49 (some confusion as to this, ask your accountant whether it might apply to your return)



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# Retention Tax Credits-FAQ

20 and you have already filed your 941 forms, then 941-X (Adjusted Employer's Quarterly Federal Tax) must be done within 3 years or original due date.

If you have not filed, then you would claim the credit on your 941. If already been filed, then a 941-X would be required.

For 2020, expect 2-4 months  
For 2021, expect 6-9 months

- If claiming for payroll paid in 2020 and you have already filed your 941 forms, then you would be required to file 941-X (Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund). Must be done within 3 years or original due date.
- If claiming for 2021 for a quarter you have not filed, then you would claim the credit on your 941. If the 941 has already been filed, then a 941-X would be required.

- If you are filing electronically, expect 2-4 months
- If you are paper filing an amended return, expect 6-9 months



- Electronically – expect refund in 5 to 6 weeks
- Manually – expect refund many months in future.



Line 13d is your refundable portion of ERC which is the total minus nonrefundable amount.



Name (not your trade name) \_\_\_\_\_ Employer identification number (EIN) 951221

**Part 1: Answer these questions for this quarter. (continued)**

11d Nonrefundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021 . . . . . 11d

11e Nonrefundable portion of COBRA premium assistance credit (see instructions for applicable quarters) . . . . . 11e

11f Number of individuals provided COBRA premium assistance . . . . . 11f

11g Total nonrefundable credits. Add lines 11a, 11b, 11c, 11d, and 11e . . . . . 11g

12 Total taxes after adjustments and nonrefundable credits. Subtract line 11g from line 10 . . . . . 12

13a Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (990), 941-X, or 941-X (990) filed in the current quarter . . . . . 13a

13b Reserved for future use . . . . . 13b

13c Refundable portion of credit for qualified sick and family leave wages for leave taken before April 1, 2021 . . . . . 13c

13d Refundable portion of employee retention credit . . . . . 13d

13e Refundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021 . . . . . 13e

13f Refundable portion of COBRA premium assistance credit (see instructions for applicable quarters) . . . . . 13f

13g Total deposits and refundable credits. Add lines 13a, 13c, 13d, 13e, and 13f . . . . . 13g

13h Total advances received from filing Form(s) 7200 for the quarter . . . . . 13h

13i Total deposits and refundable credits less advances. Subtract line 13h from line 13g . . . . . 13i

14 Balance due. If line 12 is more than line 13i, enter the difference and see instructions . . . . . 14

15 Overpayment. If line 13i is more than line 12, enter the difference . . . . . 15

**Part 2: Tell us about your deposit schedule and tax liability for this quarter.**

If you're unsure about whether you're a monthly schedule depositor or a semimonthly schedule depositor, see section 11 of Pub. 15.

16 Check one: ☐ Line 12 on this return is less than \$2,500 or line 12 on the return for the prior quarter was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. If line 12 for the prior quarter was less than \$2,500 but line 12 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you're a monthly schedule depositor, complete the deposit schedule below. If you're a semimonthly schedule depositor, attach Schedule B (Form 941), go to Part 3.

☐ You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.

Tax liability: Month 1 . . . . .

Month 2 . . . . .

Month 3 . . . . .

Total liability for quarter . . . . . Total must equal line 12.

☐ You were a semimonthly schedule depositor for any part of this quarter. Complete Schedule B (Form 941), Report of Tax Liability for Semimonthly Schedule Depositors, and attach it to Form 941. Go to Part 3.

**You MUST complete all three pages of Form 941 and SIGN it.**

Page 2 Form 941 (Rev. 6-2021)

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Line 21 & 22 is your qualified wages and qualified health plan expenses.



Name (not your trade name) \_\_\_\_\_ Employer identification number (EIN) 951921

**Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.**

17 If your business has closed or you stopped paying wages . . . . . ☐ Check here, and enter the final date you paid wages . . . . .

18a If you're a seasonal employer and you don't have to file a return for every quarter of the year . . . . . ☐ Check here.

18b If you're eligible for the employee retention credit solely because your business is a recovery startup business . . . . . ☐ Check here.

19 Qualified health plan expenses allocable to qualified sick leave wages for leave taken before April 1, 2021 . . . . . 19

20 Qualified health plan expenses allocable to qualified family leave wages for leave taken before April 1, 2021 . . . . . 20

21 Qualified wages for the employee retention credit . . . . . 21

22 Qualified health plan expenses for the employee retention credit . . . . . 22

23 Qualified sick leave wages for leave taken after March 31, 2021 . . . . . 23

24 Qualified health plan expenses allocable to qualified sick leave wages reported on line 23 . . . . . 24

25 Amounts under certain collectively bargained agreements allocable to qualified sick leave wages reported on line 23 . . . . . 25

26 Qualified family leave wages for leave taken after March 31, 2021 . . . . . 26

27 Qualified health plan expenses allocable to qualified family leave wages reported on line 26 . . . . . 27

28 Amounts under certain collectively bargained agreements allocable to qualified family leave wages reported on line 26 . . . . . 28

**Part 4: May we speak with your third-party designee?**

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

☐ Yes. Designee's name and phone number . . . . .

Select a 5-digit personal identification number (PIN) to use when talking to the IRS. . . . .

☐ No.

**Part 5: Sign here. You MUST complete all three pages of Form 941 and SIGN it.**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

**X** Sign your name here . . . . . Print your name here . . . . .

Date . . . . . Best daytime phone . . . . .

**Paid Preparer Use Only**

Preparer's name . . . . . PTIN . . . . .

Preparer's signature . . . . . Date . . . . .

Firm's name (for you, if self-employed) . . . . . EIN . . . . .

Address . . . . . Phone . . . . .

City . . . . . State . . . . . ZIP code . . . . .

Page 3 Form 941 (Rev. 6-2021)

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Use Worksheet 2 to determine credit for 2<sup>nd</sup> quarter.



## Worksheet 2. Employee Retention Credit for the Second Quarter of 2021 Only (Wages Paid After March 31, 2021, and Before July 1, 2021)

Keep for Your Records



**Determine how you will complete this worksheet.** (If you're a third-party payer, you must complete this worksheet for each client for which it is applicable, on a client-by-client basis.)  
If you paid qualified wages after March 31, 2021, and before July 1, 2021, for purposes of the employee retention credit, complete Step 1 and Step 2. If you're claiming a credit for qualified sick and family leave wages in the second quarter of 2021 for leave taken before April 1, 2021, complete Worksheet 1 before starting this worksheet. **Caution:** Use Worksheet 4 to figure the employee retention credit for qualified wages paid in the third and fourth quarters of 2021.

<b>Step 1.</b>		<b>Determine the employer share of social security tax for the second quarter of 2021 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</b>	
1a	If you completed Worksheet 1 for the second quarter of 2021 to claim a credit for qualified sick and family leave wages for leave taken before April 1, 2021, enter the amount from Worksheet 1, Step 1, line 1i, and go to Step 2. If you're not claiming a credit for qualified sick and family leave wages for leave taken before April 1, 2021, continue by completing lines 1b–1n below and then go to Step 2.	1a	_____
1b	Enter the amount of social security tax from Form 941, Part 1, line 5a, column 2	1b	_____
1c	Enter the amount of social security tax from Form 941, Part 1, line 5b, column 2	1c	_____
1d	Add lines 1b and 1c	1d	_____
1e	Multiply line 1d by 50% (0.50)	1e	_____
1f	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, line 8 (enter as a positive number)	1f	_____
1g	Subtract line 1f from line 1e	1g	_____
1h	If you received a Section 3121(g) Notice and Demand during the quarter, enter the amount of the employer share of social security tax from the notice	1h	_____
1i	<b>Employer share of social security tax.</b> Add lines 1g and 1h	1i	_____
1j	Enter the amount from Form 941, Part 1, line 11a (credit from Form 8974)	1j	_____
1k	Enter the amount to be claimed on Form 5884-C, line 11, for this quarter	1k	_____
1l	Enter the amount to be claimed on Form 5884-D, line 12, for this quarter	1l	_____
1m	<b>Total nonrefundable credits already used against the employer share of social security tax.</b> Add lines 1j, 1k, and 1l	1m	_____
1n	<b>Employer share of social security tax remaining.</b> Subtract line 1m from line 1i	1n	_____
<b>Step 2.</b>		<b>Figure the employee retention credit for the second quarter of 2021</b>	
<b>Caution:</b> The total amount included on lines 2a and 2b can't exceed \$10,000 per employee.			
2a	Qualified wages (excluding qualified health plan expenses) for the employee retention credit (Form 941, Part 3, line 21)	2a	_____
2b	Qualified health plan expenses allocable to qualified wages for the employee retention credit (Form 941, Part 3, line 22)	2b	_____
2c	Add lines 2a and 2b	2c	_____
2d	<b>Retention credit.</b> Multiply line 2c by 70% (0.70)	2d	_____
2e	Enter the amount of the employer share of social security tax from Step 1, line 1a, or, if applicable, Step 1, line 1n	2e	_____
2f	Enter any second quarter amount of the nonrefundable portion of the credit for qualified sick and family leave wages for leave taken before April 1, 2021, from Worksheet 1, Step 2, line 2j	2f	_____
2g	Subtract line 2f from line 2e	2g	_____
2h	<b>Nonrefundable portion of employee retention credit.</b> Enter the smaller of line 2d or line 2g. Enter this amount on Form 941, Part 1, line 11c	2h	_____
2i	<b>Refundable portion of employee retention credit.</b> Subtract line 2h from line 2d and enter this amount on Form 941, Part 1, line 13d	2i	_____

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Use Worksheet 4 to determine credit for 3<sup>rd</sup> and 4<sup>th</sup> quarter.



## Worksheet 4. Employee Retention Credit for Third and Fourth Quarters of 2021 Only (Qualified Wages Paid After June 30, 2021)

Keep for Your Records



**Determine how you will complete this worksheet.** (If you're a third-party payer, you must complete this worksheet for each client for which it is applicable, on a client-by-client basis.)  
If you paid qualified wages after June 30, 2021, for purposes of the employee retention credit, complete Step 1 and Step 2. If you're claiming a credit for qualified sick and family leave wages in this quarter for leave taken after March 31, 2021, complete Worksheet 3 before starting this worksheet. **Caution:** Use Worksheet 2 to figure the employee retention credit for qualified wages paid in the second quarter of 2021.

<b>Step 1.</b>		<b>Determine the employer share of Medicare tax</b>	
1a	If you completed Worksheet 3 to claim a credit for qualified sick and family leave wages for leave taken after March 31, 2021, enter the amount from Worksheet 3, Step 1, line 1f, and go to Step 2. If you're not claiming a credit for qualified sick and family leave wages for leave taken after March 31, 2021, continue by completing lines 1b–1g below and then go to Step 2.	1a	_____
1b	Enter the amount of Medicare tax from Form 941, Part 1, line 5c, column 2	1b	_____
1c	Multiply line 1b by 50% (0.50)	1c	_____
1d	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 Medicare tax included on Form 941, Part 1, line 8 (enter as a positive number)	1d	_____
1e	Subtract line 1d from line 1c	1e	_____
1f	If you received a Section 3121(g) Notice and Demand during the quarter, enter the amount of the employer share of Medicare tax from the notice	1f	_____
1g	<b>Employer share of Medicare tax.</b> Add lines 1e and 1f	1g	_____
<b>Step 2.</b>		<b>Figure the employee retention credit</b>	
<b>Caution:</b> The total amount included on lines 2a and 2b can't exceed \$10,000 per employee each quarter.			
2a	Qualified wages (excluding qualified health plan expenses) for the employee retention credit (Form 941, Part 3, line 21)	2a	_____
2b	Qualified health plan expenses allocable to qualified wages for the employee retention credit (Form 941, Part 3, line 22)	2b	_____
2c	Add lines 2a and 2b	2c	_____
2d	<b>Retention credit.</b> Multiply line 2c by 70% (0.70). If you qualify for the employee retention credit solely because your business is a recovery startup business, don't enter more than \$50,000 per quarter	2d	_____
2e	Enter the amount of the employer share of Medicare tax from Step 1, line 1a, or, if applicable, Step 1, line 1g	2e	_____
2f	Enter any amount of the nonrefundable portion of the credit for qualified sick and family leave wages for leave taken after March 31, 2021, from Worksheet 3, Step 2, line 2r	2f	_____
2g	Subtract line 2f from line 2e	2g	_____
2h	<b>Nonrefundable portion of employee retention credit.</b> Enter the smaller of line 2d or line 2g. Enter this amount on Form 941, Part 1, line 11c	2h	_____
2i	<b>Refundable portion of employee retention credit.</b> Subtract line 2h from line 2d and enter this amount on Form 941, Part 1, line 13d	2i	_____

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941-X must be filed manually  
Could be 8 weeks or more  
before receiving refund.



Form **941-X**: Adjusted Employer's **QUARTERLY** Federal Tax Return or Claim for Refund  
(Rev. October 2003) (OMB No. 1545-0047)

Employer identification number (EIN)

Name (not your trade name)

Trade name (if any)

Address

City  State  ZIP code

Foreign country name  Foreign province/city  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 error. 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.

**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-2cs, 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 employee 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 statement from each affected employee stating that I may file this claim for the employer'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 employee, or each affected employee didn't give me a written statement to file a claim for the employer'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/form941-X](http://www.irs.gov/form941-X) Cat. No. 17025J Form **941-X** (Rev. 10-2003)

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

**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 the amount is a negative number, use a minus sign.)	Column 4 Tax correction
6. Wages, tips, and other compensation (Form 941, line 2)	<input type="text"/>	<input type="text"/>	<input type="text"/>	Use the amount in Column 1 when you prepare your Forms W-2 or Forms W-2cs.
7. Federal income tax withheld from wages, tips, and other compensation (Form 941, line 3)	<input type="text"/>	<input type="text"/>	<input type="text"/>	Copy Column 3 here.
8. Taxable social security wages (Form 941 or 941-SS, line 5a)	<input type="text"/>	<input type="text"/>	<input type="text"/>	$\times 0.124 =$ <input type="text"/>
9. Qualified sick leave wages (Form 941 or 941-SS, line 5a), Column 1)	<input type="text"/>	<input type="text"/>	<input type="text"/>	$\times 0.002 =$ <input type="text"/>
10. Qualified family leave wages (Form 941 or 941-SS, line 5a), Column 1)	<input type="text"/>	<input type="text"/>	<input type="text"/>	$\times 0.002 =$ <input type="text"/>
11. Taxable social security tips (Form 941 or 941-SS, line 5b, Column 1)	<input type="text"/>	<input type="text"/>	<input type="text"/>	$\times 0.124 =$ <input type="text"/>
12. Taxable Medicare wages & tips (Form 941 or 941-SS, line 5c, Column 1)	<input type="text"/>	<input type="text"/>	<input type="text"/>	$\times 0.009 =$ <input type="text"/>
13. Taxable wages & tips subject to Additional Medicare Tax withholding (Form 941 or 941-SS, line 5d)	<input type="text"/>	<input type="text"/>	<input type="text"/>	$\times 0.009 =$ <input type="text"/>
14. Section 312(f) Notice and Demand—Tax due on unreported tips (Form 941 or 941-SS, line 5f)	<input type="text"/>	<input type="text"/>	<input type="text"/>	Copy Column 3 here.
15. Tax adjustments (Form 941 or 941-SS, lines 7 through 9)	<input type="text"/>	<input type="text"/>	<input type="text"/>	Copy Column 3 here.
16. Qualified small business payroll tax credit for increasing research activities (Form 941 or 941-SS, line 11a; you must attach Form 8974)	<input type="text"/>	<input type="text"/>	<input type="text"/>	See instructions.
17. Nonrefundable portion of credit for qualified sick and family leave wages (Form 941 or 941-SS, line 11b)	<input type="text"/>	<input type="text"/>	<input type="text"/>	See instructions.
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.
19. Special addition to wages for federal income tax	<input type="text"/>	<input type="text"/>	<input type="text"/>	See instructions.
20. Special addition to wages for social security taxes	<input type="text"/>	<input type="text"/>	<input type="text"/>	See instructions.
21. Special addition to wages for Medicare taxes	<input type="text"/>	<input type="text"/>	<input type="text"/>	See instructions.
22. Special addition to wages for Additional Medicare Tax	<input type="text"/>	<input type="text"/>	<input type="text"/>	See instructions.
23. Combine the amounts on lines 7 through 22 of Column 4	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
24. Deferred amount of social security tax (Form 941 or 941-SS, line 13b)	<input type="text"/>	<input type="text"/>	<input type="text"/>	See instructions.
25. Refundable portion of credit for qualified sick and family leave wages (Form 941 or 941-SS, line 11d)	<input type="text"/>	<input type="text"/>	<input type="text"/>	See instructions.

**Next**

Page 2 Form **941-X** (Rev. 10-2003)



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**AMERICA'S  
SBDC  
VIRGINIA  
ROANOKE REGION**

Can file for an advance  
Payment using form  
7200 – expect multiple weeks



**7200** Advance Payment of Employer Credits Due to COVID-19  
OMB No. 1545-0029

Form 7200 (Rev. April 2021)  
Department of the Treasury  
Internal Revenue Service

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

Name (not your trade name) \_\_\_\_\_

Employer identification number (EIN) \_\_\_\_\_

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

Applicable calendar quarter in 2021 (check only one box): **Caution** See instructions before completing to determine if the credits and advance are available for the applicable quarter in 2021.

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 \_\_\_\_\_

☐ April, May, June  
☐ July, August, September  
☐ October, November, December

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. \_\_\_\_\_

**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 (4) ☐ CT-1

**B** Enter the total number of employees to whom you paid qualified wages eligible for the employee retention credit this quarter. \_\_\_\_\_

**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. \_\_\_\_\_

**G** Number of individuals provided COBRA premium assistance during the quarter for the advance requested. \_\_\_\_\_

**H** If you're eligible for the employee retention credit solely because your business is a recovery startup business, check here. ☐ \_\_\_\_\_

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

**1** Total employee retention credit for the quarter. Don't enter more than the amount eligible to be advanced for the quarter. See instructions. \_\_\_\_\_

**2** Total qualified sick leave wages eligible for the credit and paid this quarter. See instructions. \_\_\_\_\_

**3** Total qualified family leave wages eligible for the credit and paid this quarter. See instructions. \_\_\_\_\_

**4** Total COBRA premium assistance provided this quarter. See instructions. \_\_\_\_\_

**5** Add lines 1, 2, 3, and 4. \_\_\_\_\_

**6** Total amount by which you have already reduced your federal employment tax deposits for these credits for this quarter. Enter as a positive number. \_\_\_\_\_

**7** Total advanced credits requested on previous filings of this form for this quarter. \_\_\_\_\_

**8** Add lines 6 and 7. \_\_\_\_\_

**9** Advance requested. Subtract line 8 from line 5. If zero or less, don't file this form. \_\_\_\_\_

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details. ☐ Yes. Complete below. ☐ No

**Third-Party Designee**  
Designee's name \_\_\_\_\_ and phone number \_\_\_\_\_  
Select a 5-digit personal identification number (PIN) to use when talking to the IRS. \_\_\_\_\_

**Sign Here**  
Under penalties of perjury, I declare that I have examined this form, including any accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.  
Your signature \_\_\_\_\_ Date \_\_\_\_\_ Printed title \_\_\_\_\_

**Paid Preparer Use Only**  
Print/preparer's name \_\_\_\_\_ Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_ Best daytime phone \_\_\_\_\_  
Firm's name \_\_\_\_\_ Firm's EIN \_\_\_\_\_  
Firm's address \_\_\_\_\_ Firm's phone no. \_\_\_\_\_

**How To File**  
Fax your completed form to 855-248-0652.

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 55280D Form 7200 (Rev. 4-2021)

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**Paid Sick and Family Leave Act Credits**  
Also applies to the Self-Employed  
Expired September 30, 2021



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## CARES Act

Certain employers with < 500 employees required to provide paid sick and family leave when employees are unable to work or telework after March 31, 2020, and before Jan. 1, 2021, due to COVID

- 2 weeks paid sick leave and 10 weeks paid family leave (subject to limits)

**Does apply to the self employed,** would need to file IRS Form 7202 on their 1040 Tax Return.



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## Sick Leave

Employee cannot work or telework because they are:

1. Subject to federal, state, or local quarantine or isolation order related to COVID-19
2. Advised by health care provider to self-quarantine due to concerns related to COVID-19
3. Experiencing symptoms of COVID-19 and seeking medical diagnosis



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## Sick Leave, Continued

Employee cannot work or telework because they are:

4. Caring for individual who is subject to federal, state, or local quarantine or isolation order related to COVID-19 or who has been advised by health care provider to self quarantine due to concerns related to COVID-19
5. Caring for a child if school or place of care has been closed, or childcare provider is unavailable, due to COVID-19 precautions
6. Experiencing any other substantially similar condition specified by U.S. Department of Health and Human Services, includes employee taking leave to:
  - Accompany individual to obtain COVID-19 vaccine
  - Care for individual recovering from COVID-19 vaccine



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## Qualified Sick Leave Wages

Entitled to wages for up to two weeks (80 hours)

- Employee unable to work due to own health needs (first three reasons), employee's regular rate of pay, but no more than \$511 per day (\$5,110 in total for 80 hours)
- Employee unable to work because they need to care for others (reasons 4 or 6), two-thirds of employee's regular rate of pay, but no more than \$200 per day (\$2,000 in total for 80 hours)
- Employee unable to work because they need to care for a child (reason 5), two-thirds of employee's regular rate of pay, but no more than \$200 per day (\$12,000 in total for 80 hours plus 10 weeks of paid extended family and medical leave)



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## Sick Leave Credit

Sick leave credit is sum of:

- 100% of qualified sick leave wages
- Employer's share of Medicare tax on qualified sick leave wages
- Social Security and Medicare tax after March 31, 2021
- Qualified health plan expenses allocable to qualified sick leave wages



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## Family Leave

Private employers with < 500 employees

- Must provide paid family leave to employees employed at least 30 days
- Employee unable to work or telework for any of the paid sick leave reasons



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## Qualified Family Leave Wages

Two-thirds of employee's regular rate of pay, up to \$200 per day

- \$10,000 in total per employee before April 1, 2021
- \$12,000 in total per employee after March 31, 2021, and before Oct. 1, 2021



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## Family Leave Credit

Family leave credit is sum of:

- Two-thirds of employee's regular rate of pay, up to \$200 per day or \$12,000 in total, per employee
- Employer share of Medicare tax on qualified family leave wages
- Social Security and Medicare tax after March 31, 2021
- Qualified health plan expenses allocable to qualified family leave wages



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## Consolidated Appropriations Act

Extended these credits through March 31, 2021, if employer voluntarily provides paid sick or family leave that would otherwise qualify

- Employer not required to provide paid sick and family leave after Dec. 31, 2020
- Total paid leave limits stayed the same, so no additional benefits if already received max
- If prior year net SE income > current-year net SE income, can elect to use prior year to figure credits for self-employed individual
  - Retroactive change, effective April 1, 2020



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## American Rescue Plan Act

- Extends paid leave credits through Sept. 30, 2021
- Beginning after March 31, 2021:
  - Allows credits for leave taken to obtain or recover from COVID-19 vaccine
  - Restarts 10-day limit for qualified sick leave wages on April 1, 2021
  - Increases qualified family leave wages limit from \$10,000 to \$12,000 in total (10 weeks to 12 weeks)
  - Resets aggregate cap for qualified family leave wages on April 1, 2021
  - Allows employers to use same paid sick leave reasons to provide paid family leave



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## American Rescue Plan Act, continued

Beginning after March 31, 2021:

- Increases # of days **self-employed** individual can use to claim family leave credit from 50 to 60 (extra 2 weeks)
- Allows §501(c)(1) governmental organization to claim credits
- Applies paid leave credits against employer's share of Medicare tax



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LET'S DO THIS!

WE HELP YOU WITH  
BUSINESS SO YOU  
CAN GET ON WITH  
YOUR BIG IDEAS.



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