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Viewpoint: The Employee Retention Credit is a valuable benefit that may well take the place of expiring PPP Loans, Restaurant Hospitality

By Arif Virji, co-managing partner of the KD San Franisco and Sonoma offices, published March 29, 2021.

The Employee Retention Credit, or ERC, is a tax credit enacted in 2020 under the CARES Act to help businesses keep employees on payroll during the COVID-19 pandemic.

For 2020, this provision allowed employers to receive a credit of 50% of qualified wages paid to employees, up to a maximum credit of $5,000 for the year. To be eligible for the credit, businesses had to have fully or partially suspended operations, or a reduction of at least 50% in gross receipts as compared to the same quarter in the previous year.

Qualified business owners were allowed to access this tax credit by reducing tax deposits they are normally required to make to the federal government. Since then, the ERC has been significantly expanded and, in the most recent relief bill signed by the president, the ERC has been extended for all of 2021.

However, many businesses have failed to take advantage of this tax credit, either because they do not understand the benefits, or they assume they are ineligible. The result has been that many businesses are still paying to the federal government a significant amount of cash that they could be retaining to help rebuild their businesses.

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