Get paid back for keeping employees on payroll

If your business:

- Has 500 or fewer employees;
- Was at least partly closed due to a government order OR the business’s revenue declined by 20% or more for any quarter this year; AND
- You kept employees on the payroll:

You may be eligible for 2021 employee retention tax credits of up to $28,000 per employee. And the longer you keep your employees on payroll, the more benefits you are eligible to receive.

For 2021, the employee retention credit (ERC) is a quarterly tax credit against the employer’s share of certain payroll taxes. The tax credit is 70% of the first $10,000 in wages per employee in each quarter of 2021. That means this credit is worth up to $7,000 per quarter and up to $28,000 per year, for each employee. If the amount of the tax credit for an employer is more than the amount of the employer’s share of those payroll taxes owed for a given quarter, the excess is refunded – paid directly to them.

Find out more about the Biden-Harris Administration’s recovery programs at TREASURY.GOV/CORONAVIRUS

Please note that discussion in this document simplifies the ERC eligibility rules. Business owners should consult with their tax advisors regarding specifics of eligibility.

Employee Retention Credit

To see whether your business is eligible for the ERC for a given quarter, start by determining whether:

(1) your business was fully or partially shut down due to a governmental order during any part of the quarter, or (2) the business’s gross receipts in a quarter declined more than 20% compared to either (a) the same quarter in 2019 or (b) the immediately preceding quarter in 2020 or 2021.

If the answer to either question is YES, and the business had 500 or fewer employees, then any wages paid in the quarter may count towards the $10,000 per employee amount.

Businesses that received PPP loans in 2020 or 2021 can still claim the ERC. While wages used to apply for PPP loan forgiveness cannot also be claimed as ERC wages, remaining wages may be eligible for the credit.

The ERC is also available for the last two quarters of 2021 for certain small businesses that opened after February 15, 2020. These businesses, if they have less than $1 million in annual gross receipts, may claim ERCs of up to $50,000 per quarter, even if the businesses have not been shut down or experienced declines in revenue.