



March 16, 2021

Re: Employee Retention Tax Credit (ERTC)

Dear Client:

We would like to take the opportunity to provide information regarding the Employee Retention Tax Credit (the “ERTC”). The ERTC was enacted by Congress under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and expanded and amended under the Consolidated Appropriations Act, 2021 (“CAA”).

Understanding the Employee Retention Tax Credit. Per napeo.org, “the ERTC is a fully refundable tax credit with two different calculations: one for 2020 and a second for 2021. The original 2020 ERTC was equal to 50% of qualified wages—up to \$10,000 in wages for a total maximum credit of \$5,000 per employee—from March 12, 2020 through the end of that year. In order to take advantage of the credit, an employer must have (i) experienced a 50% reduction in gross receipts during the applicable comparison period or (ii) fully or partially suspended operations due to a government order due to the pandemic.”

“In contrast, the 2021 ERTC is limited to Q1 and Q2 of 2021, but (i) equals 70% of qualified wages, (ii) lowers the qualifying reduction in gross receipts to 20%, and (iii) increases the maximum credit to \$7,000 per employee per quarter (up to a total maximum credit of \$14,000 per employee in 2021). Additionally, following the enactment of legislation in December 2020, employers who received a loan under the Paycheck Protection Program are no longer prohibited from claiming the ERTC, including retroactively for 2020. **Accordingly, many employers that were previously ineligible for the ERTC will now likely seek to claim the credit for qualified wages paid in 2020.**”

Determining Eligibility. Determining eligibility for the ERTC can be a complicated process and we encourage you to work directly with your CPA or other financial advisor. We cannot determine eligibility for you; however, we can provide two sources of information which may assist in your determination process.

We can provide 1) a Summary of ERTC provisions presented in a chart format noting the differences of the **Original** ERTC Law (as enacted in the CARES Act), **Retroactive** CAA Changes (treated as if enacted in the CARES Act) and **Prospective** CAA Changes (effective for calendar quarters beginning after December 31, 2020); and 2) a Video sponsored by the National Association of Professional Employer Organizations providing additional resources for determining eligibility.

Processing of the ERTC. Once you determine eligibility for the ERTC, we will provide 1) an addendum to your current Client Service Agreement (“CSA”) outlining certain provisions of the Federal Families First Coronavirus Response Act (“FFCRA”) and 2) an ERTC Agreement discussing client responsibilities for eligibility determination and required documentation. These documents, in addition to an attestation certifying you qualify for the ERTC, must be signed and returned to us before your credit(s) can be processed. The attestation is required to be renewed and resubmitted prior to each quarter an ERTC is claimed. An example of an attestation letter will be provided for guidance.

Claiming the ERTC for 2021 pay periods. If you determine you are eligible for the ERTC for 2021, please provide us with 1) the applicable pay periods/check dates for which you are requesting the credit 2) the amount of “qualified wages” related to those pay periods/check dates 3) any employer “properly allocable” qualified health expenses and 4) the amount of the credit you are claiming. **These should be provided per employee.**

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Upon providing the requested information, if the amount of the ERTC your claiming is equal to or less than the total payroll tax liability for the quarter (employee and employer), we can provide a credit on a subsequent invoice and we will handle the processing and reporting of the credit on our aggregate Form 941 filing. If the ERTC exceeds this, we can provide an invoice credit up to the amount of the tax liability, and the amount remaining can either be requested via a Form 7200, *Advance Payment of Employer Credits Due to COVID-19*, or provided as subsequent invoice credits until the total amount of the credit has been exhausted. If a Form 7200 is filed, a copy must be provided to us. **Any advance funds claimed on the Form 7200 not received before the filing of Form 941, for any applicable quarter, must be reported on the Form 941 and will be provided to you contingent upon the refunded amount being received from the IRS.**

In order to claim the ERTC for the first quarter of 2021, all information must be submitted to us **no later than April 22, 2021** for timely inclusion in the Form 941. We will make every effort to process your ERTC claim timely, however, unforeseen circumstances may delay processing which would require filing a Form 941-X at a later date.

Claiming the retroactive ERTC for 2020 periods. If you determine you are eligible for the retroactive ERTC for 2020, please provide us with 1) the amount of "qualified wages" 2) any employer "properly allocable" qualified health expenses and 3) the amount of the credit. **The calculations must be broken down by each applicable quarter of 2020, per employee.**

Please keep in mind, the retroactive 2020 credits must be requested by filing an amended Form 941 ("941-X"). Since we are a PEO, we file the Form 941/941-X on an aggregate basis for all of our clients. Therefore, we will be filing one Form 941-X for each applicable quarter of 2020 for all clients requesting the ERTC. The credit cannot be provided on current invoices but will be provided to you contingent upon the refunded amount being received from the IRS.

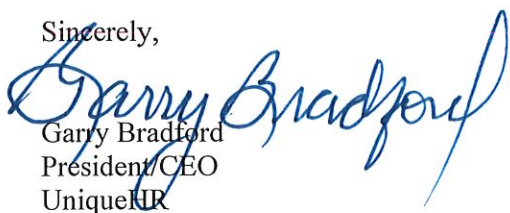
We are asking that you provide your information related to the retroactive 2020 credits **no later than April 30, 2021**, as we will begin filing the Form 941-Xs in May.

Next Steps. Upon determining eligibility and choosing to move forward with claiming the ERTC, please contact your payroll specialist to request the CSA Addendum and ERTC Agreement. Please provide your payroll specialist with the executed addendum, ERTC Agreement and required documentation, eligibility attestation and any applicable calculations as described above. Once these items are received, we can begin processing your credits.

It is also important to note, additional guidance from the IRS may be released at any time. This guidance could alter the information outlined above. Any such changes will be communicated to you promptly, as appropriate.

We hope this letter has been helpful and look forward to assisting you with the ERTC claims process.

Sincerely,


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