



ERC Qualification At A Glance

Issue	CARES Act/TCDTRA (Q2–Q4 2020)	CARES Act/TCDTRA (Q1 and Q2 2021)	American Rescue Plan (Q3 and Q4 2021)
Eligible Employers	<p>Trade or business experiencing:</p> <ul style="list-style-type: none"> A full or partial shutdown; or Significant decline in gross receipts, which means a 50% decline in gross receipts from same calendar quarter in 2019 and continues through end of first quarter for which business's gross receipts are greater than 80% of comparable 2019 calendar quarter Nonprofits are eligible, but governmental entities are not Originally PPP loan recipients could not receive credit. This was changed retroactively by TCDRA. 	<p>Trade or business experiencing:</p> <ul style="list-style-type: none"> A full or partial shutdown; or Significant decline in gross receipts, meaning a 20% decline in gross receipts compared to comparable 2019 calendar quarter. Taxpayers may elect to use prior calendar quarter rather than current calendar quarter to determine if there was a significant decline in gross receipts Governmental entities that are colleges or universities, or whose principal function is providing medical or hospital care are eligible for credit. 	<p>Same as 2021 Q1 and Q2 criteria, plus:</p> <ul style="list-style-type: none"> Recovery startup businesses, which is any employer that began trade or business after February 15, 2020, with gross receipts of less than \$1 million.
Amount of credit	50% of qualified wages.	70% of qualified wages.	70% of qualified wages.
Maximum amount of qualified wages/credit	\$10,000 per employee for the year (credit capped at \$5,000 per employee for the year).	\$10,000 per employee per calendar quarter (credit capped at \$7,000 per employee per quarter).	\$10,000 per employee per calendar quarter (credit capped at \$7,000 per employee per quarter).
Qualified wages	<p>Includes health plan expenses paid on behalf of employee if excluded from employee's gross income.</p> <p>For small employers (defined as 100 or less full-time employees), qualified wages include wages paid to all employees For large employers (defined as more than 100 full-time employees), qualified wages limited to wages paid to employees who are not working.</p> <p>Does not include wages paid:</p> <ul style="list-style-type: none"> For which FFCRA credits claimed; or With PPP forgiven loans 	Same as 2020 credit, except definition of "small employer" modified to apply to employers with 500 or fewer full-time employees.	Same as 2021 Q1 and Q2 credit, however severely financially distressed employers may claim credit for wages paid to all employees even if the employer has more than 500 employees. A severely financially distressed employer is any employer whose gross receipts declined more than 90% in a 2021 calendar quarter compared to same quarter in 2019.
Claiming credit	<p>Claimed on Form 941 Employers may receive advance credit by:</p> <ul style="list-style-type: none"> Reducing payroll deposits; and/or Claiming advance credit payment on Form 7200 	Same as 2020 credit except that advance credit payments are limited to small eligible employers	Same as 2021 Q1 and Q2 credits.
Amount of credit	50% of qualified wages.	70% of qualified wages.	70% of qualified wages.
Wage deduction	Wage deduction must be reduced by amount of credit claimed.	Wage deduction must be reduced by amount of credit claimed.	Wage deduction must be reduced by amount of credit claimed.
Statute of limitations period to review credit claimed on return	Three years.	Three years.	Three years.



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Wage Periods

The rules for the credit vary depending on which period the employer paid wages eligible for the credit.

March 12, 2020 through December 31, 2020:

Applicable law: CARES Act §2301, as amended by the Taxpayer Certainty and Disaster Tax Relief Act (TCDTRA) §206. Supplemental guidance was issued in IRS Notice 2021-20.

January 1, 2021 through July 1, 2021:

Applicable law: CARES Act §2301, as amended by the TCDTRA §207. Supplemental guidance was issued in IRS Notice 2021-23.

July 1, 2021 through December 31, 2021:

Applicable law: The American Rescue Plan.

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Sources:

- 1 CARES Act §2301(a)
- 2 Notice 2021-23; CARES Act §2301(c)(2)(A)(ii)(II) as amended by TCDTRA §207(d)(1)(A)
- 3 Notice 2021-23; CARES Act §2301(c)(2)(A) as amended by TCDTRA §207(d)(1)(B)
- 4 Notice 2021-23; CARES Act §2301(c)(2)(A) as amended by TCDTRA §207(d)(2)
- 5 Notice 2021-23; CARES Act §2301(a) as amended by TCDTRA §207(b)
- 6 Notice 2021-23; CARES Act §2301(c)(2)(A)(i) as amended by TCDTRA §207(a)(2)
- 7 Notice 2021-23; CARES Act §2301(f) as amended by TCDTRA §207(d)(3)(A)
- 8 Notice 2021-23; CARES Act §2301(c)(3)(A)(i) as amended by TCDTRA §207(e)(1)
- 9 Notice 2021-20; IRC §4980H(c)(4)
- 10 Notice 2021-23; CARES Act §2301(j) as amended by TCDTRA §207(g)