Employee Retention Credit

Jeff Michaels, OD
Tonight’s presentation is being recorded

Will post on AOA.org this week with the other #AskAOA webinars
AOA Vice President

• James DeVleming, OD
Thank you AOA

• AOA staff
  • Kara Webb
  • Ryan Hayes, CPA

• Troy Lindsey, CPA
  • Managing Director BKD CPAs and Advisors
  • St. Louis, MO
Running your business...

• Consult your CPA, attorney, advisors!
Try to hold your questions until we finish the section...
Consolidated Appropriations Act of 2021

- Economic Aid Act to Hard Hit Small Business
  - HHS Provider Relief Fund extension
  - PPP2
- Taxpayer Certainty and Disaster Tax Relief Act of 2020
  - Employee Retention Credit update
#AskAOA Webinar Series

- You can access on AOA.org
  - January 14
    - HHS Provider Relief Fund Reporting
    - PPP1 & PPP2
#AskAOA Webinar Series

Access our comprehensive COVID-19 webinar series on demand.

AOA Coronavirus/COVID-19 WEBINAR SERIES

Webinars for doctors

- **Overview of COVID-19 Vaccination Considerations**
  
  February 4, 2021
  
  Learn more about the new vaccination program from the Small Business Administration.

- **New PPP Funding Opportunities, First and Second Draw PPP Options**
  
  January 14, 2021
  
  Learn more about new provider relief opportunities that are available from the Small Business Administration.

- **Federal laws and Internal Revenue Service PPP forgiveness with "flexibility"**
  
  June 30, 2020
  
  Learn more about the provider relief opportunities that remain available from the Small Business Administration.

- **Paycheck Protection Program (PPP) loan forgiveness rules**
  
  May 24, 2020
  
  Learn more about new details regarding the PPP loan forgiveness rules.

- **COVID-19 hot topics**
  
  May 12, 2020
  
  Get the latest on COVID-19 hot topics for doctors of optometry, including practice reactivation, telehealth and relief efforts.
HHS Provider Relief Funds
Update
HHS Provider Relief Fund Reporting Requirement

- Health Resources & Services Administration (HRSA)
  - This is what I told you on January 14 #AskAOA webinar
    - Reporting portal opens January 15
    - First deadline: you must report by Feb 15
HHS Provider Relief Fund Reporting Requirement

• Health Resources & Services Administration (HRSA)
  • This is what I told you on January 14 #AskAOA webinar
    • Reporting portal opens January 15
    • First deadline: you must report by Feb 15
  • January 15, 2021
    • “Reporting” requirements put on hold
    • In the near future, HRSA will announce the window for submitting use of funds
    • Today you can “register”
Welcome to the Provider Relief Fund Reporting Portal

The Provider Relief Fund (PRF) Reporting Portal is to be used by providers who received one or more payments exceeding $10,000 in aggregate. This is a part of the post-payment reporting process. Register and create an account to get started.
HHS Provider Relief Funds

• “Register” now
  • This is not “reporting”
    • ”Reporting” rules were given January 14 #AskAOA webinar
  • HRSA or AOA will announce new reporting deadlines
AOA First Look

- Morning email update
#AskAOA webinar: Employee Retention Credit, COVID relief updates

An upcoming #AskAOA webinar provides optometry practices with information related to the Employee Retention Credit, provided for under the CARES Act. This refundable tax credit is 50% of up to $10,000 in wages paid by an eligible employer whose business was financially impacted by COVID-19.

Join Jeff Michaels, O.D., as he presents crucial information on possible tax relief options for doctors of optometry and key updates on federal COVID-19 relief programs.

What: #AskAOA: Employee Retention Tax Credit & Other COVID Relief Updates  
When: 9 p.m. ET, Monday, Feb. 22

Register now.

After registering you will receive a confirmation email containing information about joining this webinar.

Follow the AOA | Visit AOA.org/news for the latest news

GENERAL MEDICAL NEWS

Patients With Metabolic Syndrome At Higher Risk For Severe COVID-19 Outcomes, Study Indicates

Healio  (2/17, Monostra) reports researchers found “the odds for severe COVID-19 outcomes are increased for patients with metabolic syndrome.” The findings were published in the Journal of Diabetes.
HHS Provider Relief Funds: HHS1, HHS2 & HHS3

• > $10,000 (aggregate)
  • Required to report use of funds

• > $150,000 (aggregate)
  • Expect additional reporting requirements
    • CARES Act (Section 15011)
  • HHS will create a form
  • Look for communication from HHS, HRSA, Optum or United Health
Provider Relief Funds

• Right now:
  • HHS1, HHS2 and HHS3 are taxable income
  • Reportable income for PPP2 revenue loss calculation
    • Have to include HHS funding as of now
PPP2
Update
PPP2

- There is still funding available
- White House announcement Feb 22
  - 14 day exclusion period for applications
    - Only businesses with <20 employees can apply
    - Feb 24-Mar 9
  - Sole proprietor, self-employed & 1099
    - Revise loan calculation to optimize loan amounts
      - Actual calculation is unknown now
      - $1 loans
    - Set aside $1 billion for business in low and moderate income (LMI) areas
      - FFIEC Geocoding map
        - % of families below the median area income
PPP2

• FTE Safe Harbor #1
  • This rule is used when applying for Forgiveness
    • If you did not reduce hourly rates (or salary) of your employees AND
    • You were shut down by CDC in 2020 (no routine care)
  • Then you avoided having to do FTE calculations!
  • You avoided reductions in your PPP Forgiveness!
  • Still applies in PPP2
    • Being shut down in 2020 still applies for PPP2
    • Use FTE Safe Harbor #1 in PPP2 if you did not reduce wages during PPP2
FTE Safe Harbor #1

- Forgiveness Form
- 3508 EZ
- PPP > $150,000
PPP Forgiveness

- Form 3508 S
- $150,000 or less
Consolidated Appropriations Act of 2021

• Economic Aid Act to Hard Hit Small Business
  • HHS Provider Relief Fund extension
  • PPP2

• Taxpayer Certainty and Disaster Tax Relief Act of 2020
  • Employee Retention Credit update
Employee Retention Credit
Employee Retention Credit Big Picture

• Payroll and health care expense credits back to you for qualifying reasons
• Only applies to W2 employees / 941 quarterly tax filings
  • Includes owners only if W2
  • Does not apply if you do not use 941 tax filings
    • Sole-proprietors, self-employed, 1099, any other non-w2 wages are not included in this Employee Retention Credit
      • Distributions are not w2
      • Non-taxed draws are not w2
      • Only W2 payroll applies in this Employee Retention Credit presentation
Employee Retention Credit (ERC)

• Prior to Dec 27, 2020
  • Choose PPP or ERC

• Economic Aid Act (Dec 27, 2020)
  • You can PPP and ERC
Employee Retention Credit

• Different sets of rules
  • 2020 vs 2021 rules
  • Forced to shut down rules vs loss of revenue rules
  • <100 employees vs 100+ employees rules
  • You can use any combo of rules to qualify
    • 2020 and/or 2021
    • Shut down and/or loss of revenue

• I will *emphasize*
  • 2020 rules
  • Forced to shut down
  • <100 employees
    • If you have >100 employees, consult your CPA for rules
ERC Qualifying Event

2020 Rules

• Full or partial suspension in 2020 or
• 50% decline in gross receipts in a 2020 calendar quarter compared to same quarter in 2019

2021 Rules

• Full or partial suspension in 2021 or
• 20% decline in gross receipts in a 2021 calendar quarter compared to same quarter in 2019
  • Three opportunities:
    • 20% decline in Q1 2021 and/or
    • 20% decline in Q2 2021 and/or
    • 20% decline in Q4 2020

You can claim ERC in 2020 and again in 2021
Your 2020 ERC Qualifier

• In 2020
  • You were forced to shut down OR
  • You suffered 50% decline in a calendar quarter (vs 2019)
Your ERC Qualifying Event

• Full or partial suspension of operations in 2020
  • CDC published shut down: March 17 – May 12, 2020
    • Your state may have had shorter/longer shut down
How much is ERC?

2020 Rules

• 50% of qualified wages up to $10,000
  • Only wages paid after March 12, 2020
  • Max credit $5,000 per employee in 2020
  • Employer & employee paid portion of health insurance

2021 Rules

• 70% of qualified wages up to $10,000 per quarter
  • 2021 wages through June 30, 2021
  • Max credit $14,000 per employee in 2021
  • Employer & employee portion of health insurance

If you use 2 qualifiers in a year, the total max credit is additive:
Example: shut down and decline in revenue in 2020
Max credit is $5,000 per employee
When do the 2020 rules for ERC start and stop?

W2 wages paid during your 2020 forced shut down

• Start when forced shut down
  • March 13, 2020 is earliest
  • CDC: March 17, 2020
  • Your state mandate?

• Stop when allowed to open
  • Your state’s Phase 1
  • CDC: May 17

• Stop when PPP starts

Calendar Q that has 50% decline in gross receipts vs 2019

• Start
  • Calendar quarter with 50% decline

• Stop
  • Jan 1, 2021 or Gross Receipts regain to 80%
    of same quarter in 2019
    • $50,000 in Q2 2020
    • $100,000 in Q2 2019 (50%)
    • $100,000 in Q3 2020
    • $120,000 in Q3 2019 (83%)
  • Credit ends when Q3 2020 ends (Sept 30)
    • Credit given for all of Q2 and all of Q3

• PPP starts
When do the **2021** rules for ERC start and stop?

W2 wages paid during your 2021 forced shut down

- Start when forced shut down
  - State mandated shut down
  - CDC?
- Stop when **allowed** to open
  - When the shut down is lifted
- Stop when PPP starts

Calendar Q that has 20% decline in gross receipts vs 2019

- Start
  - Calendar quarter with 20% decline
  - Q4 2020, Q1 2021 or Q2 2021
- Stop
  - No 20% decline
  - June 30, 2021
  - When PPP starts
What if I was forced to close on March 17 and my state entered Phase 1 on May 15?

• You start seeing patients for comprehensive care on May 15
• Your ERC is from March 17-May 14
• Reopening
  • Full patient flow at reopen
  • Voluntary reduction of patient flow at reopen
  • Voluntarily didn’t open to patient care until later date
  • Government mandate to reduce patient flow at reopen**
• Essential workers

**Only qualifier to continue using ERC
Essential Businesses (Optometry)

- Generalized thoughts at reopen
  - Masks, social distancing, cleaning protocols
  - Not mandated to <10 in Phase 1
  - Verify with your state mandates
Claiming Your Credits

- Form 941-X, Form 7200
Employee Retention Credit

• Credits back to you are not considered gross income for federal tax purposes
  • Your state?
ERC vs PPP vs HHS

- You cannot simultaneously pay payroll
- Any given 2020 (or 2021) pay period has to be accounted for:
  - PPP
  - HHS
  - ERC
  - No help
- Separate out on a calendar/spreadsheet
  - PPP payroll pay dates
  - HHS payroll pay dates
  - ERC payroll qualifying pay dates
Navigating PPP1, HHS and ERC

• Your PPP1 has an absolute start
  • Deposit date
  • First payroll moved for administrative convenience (Alternative Payroll Period)
  • 24 week rules
    • 60% payroll: Option to move any where you can

• Your ERC has an absolute start
  • Shut down time frame
    • Most of you should get from March 17 through April/May
  • Loss of revenue calendar quarters

• Your HHS is flexible to use any time in 2020
  • Supposed to be spent by Dec 31, 2020
    • Flexibility to spend in early 2021
Are you PPP1 Forgiven?

• Already received forgiveness on PPP1!
  • As of today, you cannot amend your PPP1 Forgiveness application
  • Therefore fit your ERC in before the PPP1 started

• Not yet forgiven!
  • Maximize your ERC with shut down dates (and calendar quarter gross receipts decline)
  • Be sure to use PPP 24 week rules
    • Be sure to still spend 60% + on payroll
    • Take advantage of the 40% non-payroll for rent, utilities, interest, operating expenses
• Questions can be sent to:
  AskAOA@aoa.org

• Comments and feedback can be sent to:
  President@aoa.org