

# Employee Retention Credit for Recovery Startup Businesses

The CARES Act was signed into law on March 27, 2020, and provides financial assistance to businesses through the ability to claim an Employee Retention Credit ("ERC"). An ERC is a refundable tax credit against certain payroll taxes in 2020 and 2021. The ERC was expanded via the signing of the American Rescue Plan Act into law on March 11, 2021, thereby allowing all newly found businesses to receive funds as a Recovery Startup Business for qualified wages paid during the third and fourth quarter of 2021.

## Does a Business Qualify for an ERC as a Recovery Startup?

For the purpose of the Employee Retention Credit, a Recovery Startup Business is one that:

1. Began operations on or after February 15, 2020;
2. Maintains average annual gross receipts that do not exceed \$1 million;
3. Employs one or more employees (other than 50% owners); and
4. Does not otherwise qualify for the Employee Retention Credit (i.e., its business operations were not fully or partially suspended due to government orders nor did they experience a decline in gross receipts).

If a business falls under category number 4 as shown above, a business may still qualify for the Employee Retention Credit.

## How Much Credit Could a Business Receive?

If a business qualifies as a Recovery Startup Business, it is eligible to receive up to \$7,000 per employee, per quarter, with a maximum credit of \$50,000 per quarter, for the last two quarters of 2021. As an example, if a business has four employees, a potential credit may look as follows:

\$28,000 (4 employees x \$7,000 per employee) in Q3  
+ \$28,000 (4 employees x \$7,000 per employee) in Q4  
\$56,000 total credits claimed

Unlike other tax credits, these funds are available to be used as a business owner sees fit to help their business grow.

## How Is the Credit Claimed?

If a business believes they may qualify for the Employee Retention Tax Credit, it is important to speak to a tax advisor about the next steps. While claiming the credit may be complex, Bennett Thrasher has a dedicated team of advisors to assist businesses in claiming their eligible tax credits. For more information and to see if a business is eligible for the credit, please contact [Betsi Barrett](#) at [770.396.2200](tel:770.396.2200).

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