

# Small Business Update: More on PPP Loans and the Employee Retention Tax Credit

Small Business Update, U.S. Chamber Executive Vice President and Chief Policy Officer, Neil Bradley, and Jeanette Mulvey, Content Director at CO—, discuss additional stimulus details.

By: Sean Ludwig, Contributor

**April 6, 2021 Update:** The SBA will continue to accept PPP loan applications until May 31, 2021. [Read more from the SBA here.](#)

With the nearly [\\$900 billion coronavirus stimulus bill](#) being signed into law on December 27, the federal government began the process of providing new aid to businesses and individuals impacted by COVID-19 disruptions.

During the January 5th Small Business Update, U.S. Chamber of Commerce executive vice president and chief policy officer Neil Bradley and Jeanette Mulvey, content director at CO—, discussed the coronavirus relief bill in more detail, including the Employee Retention Tax Credit (ERTC), Economic Injury Disaster Loans (EIDLs), second draw PPP loans and new live-venue grants.

Here are some takeaways (among many) from the wide-ranging discussion.



## Who Qualifies for the Employee Retention Tax Credit

When the CARES Act was passed in March 2020, it included the ERTC as an option for financial relief for businesses. But companies could only take a PPP loan or the ERTC in the original bill.

Congress has now changed this so companies can take advantage of both ERTC and PPP, and they even expanded the ERTC for 2021. In the first and second quarter of 2021, employers that meet the eligibility can receive a tax credit for up to \$14,000 per employee.

On top of the new ERTC credits that can be obtained in 2021, many businesses may also qualify for smaller credits that were offered in 2020, which are worth a maximum of \$5,000 per employee. Some companies that are filing quarterly taxes with a deadline of January 15, for example, should talk to their tax preparers about 2020 ERTC eligibility.

“If I have one takeaway, it’s to pay attention to this tax credit,” Bradley said. “Small businesses had to choose between taking a PPP loan or getting the Employee Retention Tax Credit. A lot of people gravitated toward PPP because, frankly, it was a better deal. Congress has removed that prohibition about taking advantage of both. So now, if you took out a PPP loan in 2020, you can take advantage of the ERTC in 2021 and may be able to apply part of it looking backward for 2020. This is a more generous opportunity than what was originally in the CARES Act.”

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## The ERTC is refundable and advanceable

What makes the Employee Retention Tax Credit even better for businesses who qualify is that it is both refundable and advanceable. This means potentially having the ability to get the tax credit back early in the form of a check.

“The IRS sends you a check for the difference between what you would have paid in taxes and the eligible tax credit,” Bradley said. “Importantly, you can apply to receive an advance on this tax credit, which can help with cash-flow issues.”

Bradley strongly encourages businesses to talk with their tax preparers and payroll companies immediately to see if they can take advantage of the expanded ERTC.

Employee Retention Credit: 2020 v. 2021		2020	2021
Applicable Period	March 12, 2020, through Dec. 31, 2020	Jan. 1, 2021, through June 30, 2021	
Eligible Quarter	Either: (1) Business operations fully or partially suspended during a quarter due to government orders relating to COVID-19; or (2) experienced a substantial decline in gross receipts for the quarter		
Business Suspension Test	See IRS FAQs 28-38 for details		
Gross Receipts Test	Decline of more than 50% for a quarter of 2020 as compared to the same quarter of 2019	Decline of more than 20% for a quarter of 2021 as compared to the same quarter of 2019	
Gross Receipts - Safe Harbor	N/A	Employers can use the prior quarter gross receipts in determining eligibility	
Gross Receipts - Aggregation	Aggregation rules must be considered when comparing 2020 and 2021 gross receipts to 2019		
Credit Amount	50% of qualified wages	70% of qualified wages	
Qualified Wages - Business Suspension Test	Eligible wages paid during the period in which business operations are fully or partially suspended		
Qualified Wages - Gross Receipts Test	Eligible wages paid during the eligible quarter		
Maximum Qualified Wages	\$10,000 per employee per year	\$10,000 per employee per quarter	
Maximum Credit Amount	\$5,000 per employee per year	\$7,000 per employee per quarter	
Full-Time Employees (FTE) Threshold in Determining Eligible Wages	2019 average FTEs of 100	2019 average FTEs of 500	
Impact of FTE Threshold	At or under FTE threshold: All wages paid during the qualifying period are qualified wages Over FTE threshold: Only wages paid during the qualifying period to employees who are NOT working are qualified wages		
FTE Aggregation	Companies aggregated for purposes of calculating gross receipts also must be aggregated in determining the average number of FTEs		
30-Day Wage Limitation if Over the FTE Threshold	Qualified wages cannot exceed what the employee would have been paid for an equivalent period during the 30 days immediately prior	This additional limitation does not apply (Thus, bonus pay, for example, may qualify.)	
Claim Advanced Credit	Employers can withhold the expected credit amount from actual payroll tax deposits due	Employers with 500 or fewer FTEs can also claim an advanced credit based on 70% of average quarterly wages paid in 2019	



## **New PPP, EIDL grant and live venue grant applications will be released soon**

With legislation signed into law on December 27, many business owners are asking when applications will be available. For PPP, businesses should be in direct touch with lenders so they can be ready to submit applications as soon as they are accepting them. For EIDL grants and live venue grants, companies should be looking for new portals on the [Small Business Administration's website](#).

## **The “second draw” PPP program is much more targeted**

Bradley noted that the new second draw PPP program is more narrow this time around. Businesses and nonprofits with fewer than 300 employees that have exhausted their first PPP loan and have seen a reduction in revenue of 25% in a single quarter of 2020 should be eligible.

“The second draw PPP is really an opportunity for the hardest-hit small businesses to get another loan that can also be forgiven,” Bradley said. “If your business is only off 5%, you don’t qualify for the second PPP even if you qualified for the first.”

## **Looking for more information?**

Read more about second draw PPP loans in the [CO— December 2020 Small Business Update](#). Businesses can also read more about PPP and the changes in the coronavirus relief bill in the U.S. Chamber’s [Updated Guide to Small Business COVID-19 Emergency Loans](#).

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