
COVID-19 Tax Credit Adjustments – Employee Retention Credit

November 15th, 2021

To ensure accurate quarterly federal tax returns, you must inform the Insperity Tax team if you intend to take the Employee Retention Credit (ERC).

If you file [Form 7200 - Advance Payment of Employer Credits Due to COVID-19](#) to request tax credit funds directly from the IRS, you also must inform the Insperity Tax team so these credits are not applied to future payrolls, and so they are recorded for accurate tax reporting.

To review your existing COVID-related tax credits, including the Employee Retention Credit, go to Client Management > Taxes > Business Credits in isolved.

Calculating Employee Retention Credits

isolved introduced the ability to apply Employee Retention Credits on Friday, April 17, 2020. **These credits are not calculated automatically**, so employers should refer to IRS guidance such as [FAQs: Employee Retention Credit under the CARES Act](#) or work with their Financial Advisors to determine the amount of creditable wages and associated qualified health plan expenses.

In addition, isolved has several reports to help you calculate Employee Retention Credit. The **CARES Act Employee Retention Credit Reports** help qualifying employers determine creditable wages and health plan expenses.

- For **ERC from 1/1/2021 – 9/30/2021 with 500 or fewer employees**, use the **CARES Act Retention Credit Report < 500 ees (2021)**
- For **ERC from 1/1/2021 – 9/30/2021 with more than 500 employees**, use the **CARES Act Retention Credit Report > 500 ees (2021)**
- For **retroactive ERC from 4/1/2020 – 12/31/2020 with 100 or fewer employees**, use the **CARES Act Retention Credit Report < 100 ees (2020)**
- For **retroactive ERC from 4/1/2020 – 12/31/2020 with more than 100 employees**, use the **CARES Act Retention Credit Report > 100 ees (2020)**

If you will file for PPP loan forgiveness, you can exclude all wages paid during your PPP covered period(s) from these reports.

Configuration is required for these reports to return information, so please contact your Payroll Specialist for assistance.

Requesting Employee Retention Credits from Insperity

Once you have run the appropriate isolated ERC report, employers with more than 100 employees in 2020 or 500 employees in 2021 will need to manually remove employees who received pay while they were still working from the credit calculation. isolated is unable to differentiate wages paid to working and non-working employees automatically.

Complete and email this form to your Insperity Payroll Specialist if:

- If you qualified for Employee Retention Credit and posted payrolls with qualifying wages and health expenses between April 1, 2020 and September 30, 2021 but did not already claim the credit, **use this form to indicate the missing ERC tax credit amounts**. Please submit one form per quarter. Once the form is submitted to your payroll specialist, they will work with Insperity Tax and our COVID-19 SME Team to determine the necessary tax form amendments. Credits that need to be applied to prior quarters require Insperity Tax to file amended forms *941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund*. Once these amended returns are filed, the IRS will process them and issue the payment directly to you, not through Insperity.
- If you previously requested ERC tax credit but the amounts were incorrect, **use this form to indicate the necessary changes**. The Insperity COVID-19 SME Team will enter the adjustments into isolated and notify you when they are complete. Adjustments to Employee Retention Credit in prior quarters require Insperity Tax to file amended forms *941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund*. Once these amended returns are filed, the IRS will process them and issue the payment directly to you, not through Insperity.
- If you filed *Form 7200, Advance Payment of Employer Credits Due to COVID-19* to claim advance payment of ERC, **use this form to indicate the amount of credit claimed on Form 7200**. Employee Retention Credits must still be entered in isolated to record funds claimed using Form 7200 and to generate accurate 941 quarterly returns. Report both the amount of the ERC credit and the amount requested on Form 7200. Please provide a copy of the completed Form 7200 when submitting this form.
- Although Insperity advised against claiming Employee Retention Credit in Q4 2021, if you applied credit to payrolls after September 30, 2021, **you will need to repay the tax**. With the passage of *H.R. 3684, Infrastructure Investment and Jobs Act*, Employee Retention Credits were retroactively ended on 9/30/2021. **Use this form to indicate the amount of credit you received between 9/30/2021 and 12/31/2021 that must be repaid**. The COVID-19 SME Team will enter a negative credit that will be applied in the next payroll in Q4 2021 to recoup the taxes. **You must notify Insperity of the amount of ERC you must pay back before you process the last payroll of the quarter.**

Understanding Current Employee Retention Credit Legislation

Employee Retention Credits were introduced in [H.R. 748, Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#) on March 27, 2020. They were amended by [H.R. 133, Consolidated Appropriations Act, 2021](#) (CAA) on December 27, 2021 and extended again in [H.R. 1319, American Rescue Plan Act of 2021](#) (ARPA). Each legislation amended ERC qualification requirements and limits. The latest legislation, [H.R. 3684, Infrastructure Investment and Jobs Act](#) (IIJA) amended the ERC timeframe in ARPA so employers can no longer claim credit after September 30, 2021. For more information, visit the [Employee Retention Credit topic in the Insperity Help Center](#).

2020 Rule (CARES Act)	2021 Rule (CAA)	2021 Rule (ARPA)	2021 Rule (IIJA)
ERC credit is available from 4/1/2020 – 12/31/2020	ERC credit is available from 1/1/2021 – 6/30/2021	ERC credit is available from 7/1/2021 – 12/31/2021	ERC credit is only available through 9/30/2021
ERC credit on 50% of eligible wages up to \$10,000 per employee per year	ERC credit on 70% of eligible wages up to \$10,000 per employee per quarter	ERC credit on 70% of eligible wages up to \$10,000 per employee per quarter	
Maximum ERC of \$5,000 per eligible employee per year	Maximum ERC of \$7,000 per eligible employee per quarter	Maximum ERC of \$7,000 per eligible employee per quarter	
If you took a PPP loan, you are not eligible for ERC	PPP loan recipients are not disqualified from receiving the ERC in 2020 or Q1 and Q2 2021 if they have ERC-qualifying wages that were not part of the PPP loan program. You can exclude all wages paid during your PPP covered period(s) from the isolated CARES Act Retention Credit Reports. Your Payroll Specialist can update isolated to specify the excluded period for these ERC reports.	PPP loan recipients are not disqualified from receiving the ERC in 2020 or 2021 if they have ERC-qualifying wages that were not part of the PPP loan program. You can exclude all wages paid during your PPP covered period(s) from the isolated CARES Act Retention Credit Reports. Your Payroll Specialist can update isolated to specify the excluded period for these ERC reports.	
Gross receipts declined YoY by at least 50% to qualify	Gross receipts declined YoY by at least 20% to qualify	Gross receipts declined YoY by at least 20% to qualify	
Employers with up to 100 employees qualified for ERC on wages paid for worked hours	Employers with up to 500 employees qualified for ERC on wages paid for worked hours	Employers with up to 500 employees qualified for ERC on wages paid for worked hours	

Entering Employee Retention Credit Adjustments

For easier tracking, please submit one form per quarter. Use the following table to enter missing tax credits or adjustments for the Employee Retention Credit, or paste the form into Excel:

A	B	C	D	E	F	G	H
Change Reason	Pay Period Begin Date	Pay Period End Date	Pay Date / Filing Date	ERC Qualifying Wages	ERC Credit from Wages	ERC Credit from QHPEs	Form 7200 Amount
Ex. Missing credit	8/9/2021	8/22/2010	8/27/2021	\$163,498.44	\$112,513.91	\$6,450.00	
Ex. Filed Form 7200			6/30/2021				\$118,963.91
Ex. Repay Q4 2021	10/4/2021	10/17/2021	10/22/2021		(\$6,387)	(\$915.19)	

(A) Enter the reason for the ERC tax credit adjustment or missing credit. Common reasons are: Missing credit, Filed Form 7200, or Repay Q4 2021 ERC already claimed.

(B), (C), (D) Employee Retention Credits must be entered by payroll so they report properly on quarterly federal tax returns. Enter the pay period start date, pay period end date, and pay date for each payroll that includes creditable wages or qualified health plan expenses. Enter dates in MM/DD/YYYY format. If you filed Form 7200 to claim advance payment of Employee Retention Credits, enter the date you filed the form in column D.

(E) Enter the total amount of ERC eligible wages in the payroll. If you are also claiming qualifying health plan expenses, the amount of ERC you can claim based on wages plus the amount of ERC you can claim for qualifying health plan expenses cannot exceed the ERC limit for each employee.

(F) Enter the amount of Employee Retention Credit calculated on eligible wages. **In 2020, the tax credit is equal to 50% of the qualifying wages and health expenses up to \$10,000, so the total ERC credit cannot exceed \$5,000 per employee for the year. In 2021, the tax credit is equal to 70% of the qualifying wages and health expenses up to \$10,000 per quarter, so the total credit cannot exceed \$7,000 per employee per quarter.** For employers with more than 100 employees in 2020 or 500 employees in 2021, you can only receive credit for wages and health expenses you paid employees who were not working. Larger employers can only calculate credit on wages up to the amount the employee would have been paid for working an equivalent duration during the 30 days immediately preceding the period of economic hardship.

(G) Enter the adjustment amount for the tax credit due for qualified health plan expenses. These health expenses must be incurred between March 13, 2020 and September 30, 2021 for employees whose wages are also eligible. Refer to the IRS [Employee Retention Credit](#) topic or consult your Tax Advisor to determine which benefit expenses qualify.

(H) If you filed *Form 7200, Advance Payment of Credits Due to COVID-19* to claim your Employee Retention Credit directly from the IRS, report the amount of credit you requested. This amount will reduce the remaining tax credit balance in isolated. Please provide a copy of the filed Form 7200.

If you have questions about this form, contact your Payroll Specialist who will connect you with a COVID-19 tax credit expert for assistance.

By signing below, you confirm that the data provided is accurate and should be reported on your quarterly federal tax returns. You acknowledge that Insperity will enter this information in isolved, and it will be used to reduce 941 tax liabilities in the remaining payrolls in the quarter or reported as an overpayment for refund on the quarterly *Form 941, Employer's QUARTERLY Federal Tax Return*. You acknowledge that you will not request Employee Retention Credit directly from the IRS using *Form 7200, Advance Payment of Employer Credits Due to COVID-19* for the same wages and qualified health plan expenses you are requesting here. You acknowledge that you will verify processed and remaining credits on the **Business Credits** screen in isolved and notify Insperity immediately if you have a concern.

This Request is executed on this day, _____, of _____, 2021.

Client Name: _____

Signature: _____

Printed Name: _____

Title: _____