

COVID-19 Tax Credit Adjustments - Employee Retention Credit

In order to produce 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 tax credits for FFCRA leave or the CARES Act Employee Retention Credit, go to *Client Management > Taxes > Business Credits* in iSolved.

Determining 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 in [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 features several reports to aid in estimating an organization's amount of eligible ERC. The **CARES Act Employee Retention Credit Report** to help qualifying employers determine creditable wages and health plan expenses.

- [For 2021 ERC with 500 or fewer employees](#), please use the "CARES Act Retention Credit Report < 500 ees (2021)".
- [For 2021 ERC with more than 500 employees](#), please use the "CARES Act Retention Credit Report > 500 ees (2021)".
- [For retroactive 2020 ERC with 100 or fewer employees](#), please use the "CARES Act Retention Credit Report < 100 ees (2020)".
- [For retroactive 2020 ERC with more than 100 employees](#), please use the "CARES Act Retention Credit Report > 100 ees (2020)".

Configuration is required for these reports to return information, so please contact your Payroll Specialist for assistance. Qualifying employers with more than 100 employees in 2020 or 500 employees in 2021 will need to remove employees who received pay while they were still working from the credit calculation manually, since iSolved is unable to differentiate wages paid to working and non-working employees otherwise.

Overall, there are three reasons to fill out this form:

1. **If you qualify for the ERC and posted payrolls with qualifying wages and health expenses, use this form to indicate the missing ERC tax credit amounts.** Once the form is submitted to your payroll specialist, they will enter the credit amounts in iSolved. A member of the COVID-19 SME Team will contact you when the credits are available. These credits will be automatically applied to offset your 941 tax liabilities in subsequent payrolls in the quarter. If there are no remaining payrolls to be processed in the quarter, the remaining ERC will be reflected as a tax overpayment for refund on your quarterly 941 form. The IRS processes 941 refunds and will issue them directly to you rather than through Insperity.

2. **If you previously reported ERC tax credit amounts and need to correct them, 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. If the corrections are for a previous quarter, an amended 941 (941-X) form will be generated and filed. The IRS will issue any unpaid credit to you directly rather than through Insperity.
3. **If you filed Form 7200 to claim advance payment of Employee Retention Credits, use this form to indicate the amount of credit claimed in 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.

Entering Employee Retention Credit Adjustments

Use the following table to enter missing tax credits or adjustments for the Employee Retention Credit. ERC tax credits function differently for 2020 and 2021. For more information, visit the [Employee Retention Credit topic of help.insperity.com](https://help.insperity.com)

Old 2020 Rule: If you took a PPP loan, you were not eligible for ERC (it was an either/or choice in 2020).

New 2021 Rule: PPP loan recipients are not disqualified from ERC as long as they have wages to consider that were not part of the PPP loan program.

Old 2020 Rule: A reduction in YOY gross receipts decline had to be 50%.

New 2021 Rule: A reduction in YOY gross receipts decline now only has to be 20%.

Old 2020 Rule: Only employers with 100 or less employees qualified for ERC on pay for working hours.

New 2021 Rule: Employers with up to 500 employees may qualify for pay on working hours.

Please fill out the below table with the amount of Employee Retention Credit your organization wishes to apply. You can find instructions for this below the table.

A	B	C	D	E	F	G
Change Reason	Pay Period Begin Date	Pay Period End Date	Pay Date / Filing Date	ERC Wage Credit	ERC QHPE Credit	Form 7200 Amount
<i>Ex. Missing credit</i>	3/23/2020	4/5/2020	4/10/2020	\$112,513.91	\$6,450.00	
<i>Ex. Filed Form 7200</i>			4/21/2020			\$118,963.91

- (A) Enter the reason for the ERC tax credit adjustment or missing credit. If you filed Form 7200, indicate that as your reason.
- (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 adjustment amount for the tax credit calculated on eligible wages. Eligible wages generally include all cash compensation except FFCRA leave wages. Expense reimbursements, imputed income, third party sick pay, and wages paid to 1099 contractors are excluded. You can only include wages up to \$10,000 per employee in 2020 or \$10,000 per employee per quarter in 2021, including their allocable qualified health plan expenses. For employers with more than 100 employees in 2020 you can only include wages and health expenses for employees who were paid while not working because the business was impacted by COVID-19; the same pertains to 2021 wages and health expenses for employers with more than 500 employees in 2021. These larger employers can only count 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. In 2020, the tax credit is equal to 50% of the qualifying wages and health expenses, so the total ERC credit cannot exceed \$5,000 per employee. In 2021, the tax credit is equal to 70% of the qualifying wages and health expenses per quarter, so the total credit cannot exceed \$7000 per employee per quarter.
- (F) Enter the adjustment amount for the tax credit due for qualified health plan expenses. These health expenses must be incurred after March 13, 2020 and before June 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. In 2020, the tax credit is equal to 50% of the qualifying wages and health expenses, so the total ERC credit cannot exceed \$5,000 per employee. In 2021, the tax credit is equal to 70% of the qualifying wages and health expenses per quarter, so the total credit cannot exceed \$7000 per employee per quarter.
- (G) 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 involved. Please provide a copy of the filed Form 7200. 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 reflected on the Business Credits screen. Standard tax adjustment fees may apply.

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

Client Name: _____

Signature

Printed Name: _____

Title: _____