

## COVID-19 Tax Credit Adjustments - Employee Retention Credit

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 such as for 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 help you calculate Employee Retention Credit. The **CARES Act Employee Retention Credit Reports** help qualifying employers determine creditable wages and health plan expenses.

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

Once you have run the appropriate iSolved 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. iSolved is unable to differentiate wages paid to working and non-working employees automatically.

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 isolved 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 isolved 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 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 isolved CARES Act Retention Credit Reports. Your Payroll Specialist can update isolved to specify the excluded period for these ERC reports.

**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 Credit for Eligible Wages	ERC Credit for QHPEs	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 amount of Employee Retention Credit calculated on eligible wages. You do not need to provide the eligible wage amount. **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 \$7000 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.
- (F) 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 December 31, 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 isolated, and it will be reflected on the Business Credits screen.

This Request is executed as of this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

Client Name: \_\_\_\_\_

\_\_\_\_\_  
Signature

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_