



# TOP 10 THINGS TAX PROFESSIONALS NEED TO KNOW ABOUT THE EMPLOYEE RETENTION CREDIT

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The [Employee Retention Credit \(ERC\)](#) is one of the most important recent tax credits available to businesses as they continue to recover from the effects of COVID-19. With up to \$26,000 in credits per employee, it can provide a significant bottom line boost for many companies.

While nearly 70% of companies may qualify for the ERC refund, there are certain guidelines and restrictions that must be met in order to qualify for this credit. In this article, we will discuss the top 10 things tax professionals need to know about the ERC refund for their clients. We'll cover eligibility criteria, available funds, payment processing times, potential third-party partner program details, and more – all designed to help you provide your clients with the best possible service. Let's get started

## 1. What is an ERC?

The [Employee Retention Credit](#) to \$26,000 per employee against certain employment taxes equal to 50% of the qualified wages paid to employees in 2020, and 70% per calendar quarter in 2021. It was created as part of the CARES Act in 2020 to provide businesses with

financial relief from the severe economic effects of the Covid-19 pandemic. The ERC applies to companies that remained in business and retained employees during during Q1-4 of 2020 and Q1-Q3 and Q4 of 2020 if a Recovery Startup Business.



## 2. Criteria for companies qualify for an ERC refund

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The [ERC Refund](#) is intended for businesses that experienced disruption due to the spread of Covid-19. Whether it was a decrease in revenue, retaining employees, or staying in business, the refund has been designed to help businesses offset those challenges. Businesses that experienced disruptions to commerce, travel, or group meetings due to government orders limiting the spread of Covid-19 may be eligible for an ERC refund. These can include reduced hours, price increases, reduction in goods or services offered, inability to travel, meeting employee count limits (averaging less than 500 full-time employees), and having paid qualified wages after March 12th, 2020. According to [research conducted](#) less than approximately 36% of small business owners said they had some level of familiarity with ERCrefund. For more information about whether your clients are eligible for the ERC refund, it's recommended to review the IRS website

## 3. How much money can your clients receive for their ERC refunds?

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The amount of funds available for ERC refunds depends on several factors, such as the number of employees, how long they worked during 2020 and 2021, and how much they were paid. Given its complexity, determining the exact refund amount often requires tax professionals like you. However, in general, companies can receive up to \$26,000 per employee in credits against their employment taxes. [Smaller businesses with 100 or fewer employees](#) can claim credits up to \$5,000 per employee for wages paid between March 12th, 2020 and December 31st, 2020 and up to \$7,000 per employee per quarter in 2021.



## 4. Helping your clients apply for an ERC refund

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Tax professionals help clients apply for the ERC refund on the appropriate tax form for your client, including Adjusted Employer's Quarterly Federal Tax Return. Additionally, companies may use an online ERC calculator to help determine their eligibility and estimate the amount of credit they are due.



## 5. How long your clients can expect to wait to receive their ERC refund

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Processing times vary, but the current wait time for Legacy clients is averaging six months.

## 6. Your clients can still apply for their ERC refund

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Businesses may still apply for an ERC refund. [The time to apply for the 2020 ERC](#) closes on April 15, 2024, and the statute of limitations for the 2021 ERC closes on April 15, 2025. However, it is recommended to apply now instead of waiting, particularly given the number of companies that are likely eligible, and keeping in mind that there is currently a wait time of approximately six months for a refund.

## 7. Will my clients qualify for an ERC refund if they also received a PPP loan?

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[According to the IRS](#) The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020, made a number of changes to the employee retention tax credits previously made available under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).” With these changes, the law “now allows employers who received Paycheck Protection Program (PPP) loans to claim the ERC for qualified wages that are not treated as payroll costs in obtaining forgiveness of the PPP loan.”

## 8. Help your clients receive their refund sooner with a third-party partner

Many companies are using third-party partners to assist in filing their ERC refunds. As tax preparation professionals, you can offer them this service as well. Once the claim is filed, partnering with a third-party service provider, like **Legacy**, benefits both tax preparers and their clients. It allows your client to receive their ERC refund in as little as two weeks, compared to the six-month wait time it would take with the IRS. legacy offers tax preparers a benefit as well — tax preparers can make additional income through referral fees



## 9. The IRS recently issued a warning about third-party service providers and ERC refunds

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The [IRS warned tax preparers](#) to be wary of companies that offer quick turnaround times or suggest they can get larger refunds than would generally be due. We rely on referrals from tax professionals who determine their clients legitimately meet the criteria for the credit, guide clients through the complex tax reporting, and help determine their clients will benefit from accelerating their refund. Legacy has the highest standard for accuracy and will advocate for the client to obtain the highest refund legally possible. Accountants, bookkeepers, and tax professionals can receive a referral fee on both the ERC refund as well as the ERC advance.

## 10. What if my client already has an ERC refund pending

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If your client has already applied for an ERC refund and is awaiting approval, they can take advantage of third-party services to access their pending funds sooner

## Get Started Helping Your Clients Advance Their ERC Refund

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The Employee Retention Credit (ERC) is a great way for employers to get financial relief from the effects of COVID-19. However, it's important to understand the details of how it works, including eligibility requirements and processing times. Partnering with a third-party service provider can make the process easier and faster, so your clients can get their ERC refund sooner. With the right partner, businesses can receive their ERC refund in as little as two weeks rather than waiting months for approval. If you have clients considering applying for an ERC, [Contact Legacy](#) learn more about our

services. We'll help you maximize your client's benefit from this valuable program. Many of our tax preparation partners have found this to be a significant service offering for their clients, one that can help improve client satisfaction and increase loyalty.



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