



ABILENE INDUSTRIAL FOUNDATION
Business Edge – February 26, 2021

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About Joe

Joe Melson is a Tax Partner at Eide Bailly, LLP. Since 1988, Joe has been providing public accounting services, including tax compliance, planning services and tax return preparation for businesses, individuals, trust and nonprofits.



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NET OPERATING LOSSES (NOL)

Old law – NOLs can only be carried forward and can only offset 80% of taxable income.

CARES Act

- NOLs originating in 2018, 2019, and 2020 can be carried back 5 years.
- No limitation.



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EMPLOYER RETENTION CREDIT (ERC)

CARES Act – Applies to 2020:

- The basics:
 - 50% credit on “qualified wages”:
 - Qualify up to \$10k in qualified wages per employee:
 - Maximum credit is \$5K per eligible employee.
 - Under 100 employees, all wages are eligible.
 - Employers with over 100 employees can only claim ERC for wages paid to employees not providing services.



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EMPLOYEE RETENTION CREDIT (ERC)

Eligible Employers

- Suspension of operations
- Significant decline in gross receipts
 - Gross receipts in any 2020 calendar quarter are less than 50% of the same 2019 calendar quarter
 - Remain eligible until gross receipts exceed 80% of 2019 calendar quarter.

Consolidated Appropriations Act, 2021

- Allows eligible employers to take ERC in addition to the PPP loan
- Cannot take ERC on wages used for PPP forgiveness



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ERC – HOW TO CLAIM THE CREDIT

- Report on quarterly employment tax returns to claim credit. May have to amend 2020.
- Receive advance payment by submitting Form 7200 for 2021.



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EMPLOYEE RETENTION CREDIT IN 2021

Expansion of the credit

- Credit now applicable for Q1 and Q2 of 2021
- 20% decrease in revenue instead of 50%
- 70% credit rate instead of 50%
- Qualified wages increased to \$10,000 per quarter.
- Small employer threshold raised from 100 to 500

Governmental entities

- Governmental entities can now qualify:
 - Separate tax-exempt status and/or
 - State colleges, universities, or hospitals



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FAMILIES FIRST CORONAVIRUS RESPONSE ACT

Requires certain employers to provide employee with 80 hours paid sick leave:

- Employees who are unable to work (or telework) for specified coronavirus-related reasons.
- Paid sick leave requirement is in addition to employer's existing policy.

Applies to employers with less than 500 employees.



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FAMILIES FIRST CORONAVIRUS RESPONSE ACT

Must pay their regular rate, up to a maximum of \$511 per day.

- Subject to federal, state, or local quarantine or isolation order.
- Advised to self quarantine by health care provider.
- Experiencing COVID-19 symptoms and seeking diagnosis.

Must pay 2/3 regular rate, maximum of \$200 per day.

- Caring for an individual above.
- Caring for son or daughter whose school or day care is closed.
- Experiencing a “substantially similar condition” specified by the government.

Dollar for dollar credit for the above. 10 day max.

Can't use PPP dollars.



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CREDIT FOR PAID FAMILY AND MEDICAL LEAVE

Passed in 2017 and extended through 2020.

The credit ranges from 12.5% to 25% of paid family and medical leave provided for employees.

Eligibility – Employer must have a written policy in place that provides:

- At least two weeks of paid family and medical leave annually to full-time employees (prorated for part-time employees).
- Pay for family and medical leave is at least 50% of the wages normally paid to the employee.

The credit for 2020 only applies to employees making less than \$75,000.



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OTHER ITEMS

PPP Loan Forgiveness

- The loan forgiveness is not taxable.

Texas Winter Storm

- Due date has changed to June 15, 2021. (Texas residents only).
- Losses from storm damage can be deduct on 2020 income tax return.



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QUESTIONS?

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THANK YOU

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