

Anchin is recognized by Construction Executive in The Top 50 Construction Accounting Firms™ for 2021

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Anchin has once again been recognized by *Construction Executive* in The Top 50 Construction Accounting Firms.TM

Anchin's Phillip Ross Explains How We Help Contractors Navigate the Employee Retention Credit (ERC) if they received a Paycheck Protection Program (PPP) Loan:

Most of the focus on government relief has focused on PPP loans, which have been hugely impactful. As a result of PPP's popularity though, ERC is less understood, but ERC is already having and is going to have a major impact on the industry this year and we're proactively advising clients on how to navigate the complex process, as well as maximize the benefits and improve cash flow to be ready for the market's upswing.

Originally, companies that took a PPP loan couldn't file for ERC, so PPP loans seemed the natural choice. This legislation changed towards the end of 2020, and you can now apply for benefits for both programs as long as you're not utilizing the same wages for each one. In order to qualify for the benefits in 2021, a company must have at least a 20% decrease in their tax gross receipts for a quarter as compared to the same quarter in 2019. Another change for 2021 is enabling larger companies to benefit from ERC as, now, employers with fewer than 500 employees during 2019 can claim this refundable tax credit.

The amount of the credit was also increased to up to 70% of the first \$10,000 of qualified wages to each employee (\$7,000 credit) for each quarter. Any wages for an employee that are in excess of the PPP wage limit can be used for ERC purposes. There is an interplay between the two programs in order to achieve the greatest combined benefit. Additionally, once a company qualifies for the credit for a quarter, they automatically qualify for that next quarter as well so there is an opportunity for planning. Companies can greatly improve cash flow by reducing their payroll tax

deposits once they know they qualify for the quarter instead of waiting to receive the credit back as a refund.

ERC is taxable though and the credit is a reduction of payroll expense, so this could result in a slightly reduced Research & Development credit for a company. The ERC benefit far outweighs the reduced R&D credit and will be a huge boon for the industry in 2021.