



Myths and Truths About the Employee Retention Credit Program

The attorneys at Frost Law have been following the Employee Retention Credit program carefully since its inception. There are many myths and misconceptions regarding the eligibility of businesses, below our team sets straight any confusions.

- ✗ MYTH: A business that has already received Paycheck Protection Program (PPP) loans or had its PPP Loans forgiven, cannot claim ERC.
✓ TRUTH: Businesses can utilize both programs! This limitation was removed in the Consolidated Appropriations Act (CAA) of 2021.
- ✗ MYTH: A business did not have a drop in gross receipts of 50% or more and is therefore not eligible for ERC.
✓ TRUTH: The (CAA) reduced the qualification from 50% to 20% for the first three quarters of 2021.
- ✗ MYTH: A business did not shut down during the pandemic, so it is not eligible for ERC.
✓ TRUTH: A business impacted by a partial shutdown, disruption to supply chain, vendor, or business operations, limited hours and capacity or had restricted access to equipment or experienced a significant decline in revenue, may still qualify for ERC.
- ✗ MYTH: A business was deemed essential, so it does not qualify.
✓ TRUTH: A business that experienced an impact or change to operations or a decline in revenue may still qualify for ERC (See TRUTH above for more).
- ✗ MYTH: A business must have fewer than 500 employees in order to be eligible for ERC.
✓ TRUTH: A business's employee count restriction is based on full-time equivalent (FTE) employees, rather than everyone in the workplace.
- ✗ MYTH: A business had increased sales during the pandemic, so the business is not eligible for ERC.
✓ TRUTH: Although a business has grown, it may still be eligible if it was impacted by a full or partial suspension of operations due to a governmental restriction.
- ✗ MYTH: A business' sales rebounded in Q1 of 2021, so it is not eligible for ERC.
✓ TRUTH: The (CAA) allows a business to determine its eligibility based on lost revenue in 2020 quarters or a suspension in operations.
- ✗ MYTH: A not-for-profit cannot claim ERC.
✓ TRUTH: Non-profit organizations such as non profit hospitals, churches, museums, etc. are eligible for ERC.

We know the intricacies of the ERC are confusing, Frost Law is offering initial free consultations to determine ERC availability. Contact our team at (410) 497-5947 or fill out our brief contact form to schedule your free initial confidential consultation.