

The following is available to members as an informational resource. KMA expresses no opinion as to the feasibility, applicability, or impact to your particular practice. Physicians should consult with their tax professional to determine if these benefits or others apply to their practice.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act established or expanded several programs to assist small businesses, including physician practices, that have been severely impacted by the COVID-19 emergency. The Employee Retention Credit is designed to encourage employers to keep employees on their payroll, despite experiencing economic hardship related to COVID-19.

Here's what you need to know:

ELIGIBILITY

Physician practices qualify for the Employee Retention Credit (ERC) if such practices while conducting business during calendar year 2020 either:

- Fully or partially suspends operation during any calendar quarter in 2020 due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19; or
- Experiences a decline in gross receipts by more than 50 percent compared to the same quarter of the prior year. Physician practices remain eligible for the credit during 2020 until it reaches 80% of gross revenues in a quarter compared to the prior year.

AMOUNT OF CREDIT

The ERC allows employers, regardless of any size, to receive a fully refundable 50 percent tax credit on qualified wages up to \$10,000 per employee for all calendar quarters. Therefore, the maximum credit for employers is \$5,000 per employee. The credit applies to qualified wages paid after March 12, 2020, and before January 1, 2021.

The definition of qualified wages depends on the average number of employees within the business.

- For employers with less than 100 employees on average in 2019, ERC is based on the wages **paid to all employees**, regardless if they worked or not.
- For employers with over 100 employees on average in 2019, ERC is based only on the wages **paid to employees who did not work** during the calendar quarter.

In order to claim the ERC, employers will report their total qualified wages on their federal employment tax returns.

Employers can receive both the tax credits for the qualified leave wages under the Families First Coronavirus Response Act (FFCRA) and the ERC. However, the amount of qualified wages for which an employer may claim the ERC cannot include the amount of qualified sick and family leave wages for which the employer received tax credits under the FFCRA.

Additionally, the ERC is **not available** to employers who receive a loan under the Paycheck Protection Act.

RESOURCES:

- [AMA Financial Assistance for Physicians](#)
- [IRS FAQ Employee Retention Credit](#)

Sources: *The U.S. Internal Revenue Service*