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Treasury will now allow an Employer Tax Credit for Insured Furloughed Workers

By Dave Barchet

Employers that are partly or completely prohibited from operating during the shutdowns caused by the coronavirus pandemic but who continue to fund employee health care coverage, may be able to take up to a \$10,000 tax credit for each employee, regardless of whether they are paying wages to those employees.

As part of The Coronavirus Aid, Relief and Economic Security (CARES) Act, the IRS created an Employee Retention Tax Credit (ERTC) of up to \$10,000 it pays in “qualified wages.” Under the CARES Act, “qualified wages” included (a) cash compensation paid between March 13, 2020 and December 31, 2020, and (b) “qualified health plan expenses.” The original position within the CARES Act allowed Employers to claim the ERTC who continued to provide health coverage **AND** continued paying other wages. This was negatively received by many lawmakers as it seemed prohibitive. The new position allows Employers to claim the ERTC regardless of whether the employee is paid qualified wages.

Who is eligible?

Businesses of all sizes, including non-profits, can receive the ERTC in two circumstances:

- If the business operations were fully or partially suspended as a result of government-mandated COVID-19 shut-down order, or
- If the business experiences a decline in gross receipts by more than 50% in a quarter compared to the same quarter in 2019.

For the second qualifier, the employer eligibility ends if gross receipts in a quarter exceed 80% compared to the same quarter in 2019.

Who is NOT eligible?

- Importantly, any employer who receives a Paycheck Protection Program (PPP) loan will not be eligible for the ERTC, unless it is fully paid back by 5/14/2020.

This PPP caveat protects from double dipping, but regardless, this will likely be welcome news and will encourage employers to continue to pay for health expenses.

While this article focuses on the highlights, a full list of Q and A regarding tax credits for insured furloughed workers can be found [here](#) on the IRS website.

For more information or questions regarding how this could impact your organization, contact Dave Barchet at Dave.Barchet@findley.com or [216.875.1914](tel:216.875.1914)