



## IRS provides guidance for employers claiming the Employee Retention Credit for 2020, including eligibility rules for PPP borrowers

IR-2021-48, March 1, 2021

WASHINGTON – The Internal Revenue Service today issued guidance for employers claiming the employee retention credit under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), as modified by the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (Relief Act), for calendar quarters in 2020. The guidance in [Notice 2021-20](#) is similar to the information in the [employee retention credit FAQs](#), but includes clarifications and describes retroactive changes under the new law applicable to 2020, primarily relating to expanded eligibility for the credit.

For 2020, the employee retention credit can be claimed by employers who paid qualified wages after March 12, 2020, and before January 1, 2021, and who experienced a full or partial suspension of their operations or a significant decline in gross receipts. The credit is equal to 50 percent of qualified wages paid, including qualified health plan expenses, for up to \$10,000 per employee in 2020. The maximum credit available for each employee is \$5,000 in 2020.

A significant change for 2020 made by the Relief Act permits eligible employers that received a Paycheck Protection Program (PPP) loan to claim the employee retention credit, although the same wages cannot be counted both for seeking forgiveness of the PPP loan and calculating the employee retention credit. Notice 2021-20 explains when and how employers that received a PPP loan can claim the employee retention credit for 2020.

[Notice 2021-20](#) also provides answers to questions such as: who are eligible employers; what constitutes full or partial suspension of trade or business operations; what is a significant decline in gross receipts; how much is the maximum amount of an eligible employer's employee retention credit; what are qualified wages; how does an eligible employer claim the employee retention credit; and how does an eligible employer substantiate the claim for the credit.

While the Relief Act also extended and modified the employee retention credit for the first two calendar quarters in 2021, [Notice 2021-20](#) addresses only the rules applicable to 2020. The IRS plans to release additional guidance soon addressing the changes for 2021.

A page on [IRS.gov](http://IRS.gov) is devoted to providing [information to businesses](#) on all aspects of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).