



IRS provides guidance for employers claiming the Employee Retention Credit for first two quarters of 2021

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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) modified by the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (Relief Act).

Notice 2021-23 explains the changes to the Employee Retention Credit for the first two calendar quarters of 2021, including:

- the increase in the maximum credit amount,
- the expansion of the category of employers that may be eligible to claim the credit,
- modifications to the gross receipts test,
- revisions to the definition of qualified wages, and
- new restrictions on the ability of eligible employers to request an advance payment of the credit.

As a result of the changes made by the Relief Act, eligible employers can now claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages they pay to employees after Dec. 31, 2020, through June 30, 2021. Qualified wages are limited to \$10,000 per employee per calendar quarter in 2021. Thus, the maximum employee retention credit available is \$7,000 per employee per calendar quarter, for a total of \$14,000 for the first two calendar quarters of 2021.

Employers can access the Employee Retention Credit for the 1st and 2nd calendar quarters of 2021 prior to filing their employment tax returns by reducing employment tax deposits. Small employers (i.e., employers with an average of 500 or fewer full-time employees in 2019) may request advance payment of the credit (subject to certain limits) on [Form 7200, Advance of Employer Credits Due to Covid-19](#), after reducing deposits. In 2021, advances are not available for employers larger than this. Further details on how to calculate and claim the employee retention credit for the first two calendar quarters of 2021 can be found in Notice 2021-23.

Under the American Rescue Plan Act of 2021, enacted March 11, 2021, the Employee Retention Credit is available to eligible employers for wages paid during the third and fourth quarters of 2021. The Department of the Treasury and the IRS will provide further guidance on the Employee Retention Credit available under the ARPA.

Additional coronavirus relief [information for businesses](#) is available on IRS.gov.