



Coastal Enterprises

Employee Retention Tax Credit

What is it?

The Employee Retention Tax Credit is part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act that can be filed quarterly.

Who is Eligible?

If a Child Care Program meets all of the following, they are eligible for an immediate and refundable tax credit equal to 50% of wages paid, up to a \$5,000 tax credit *per worker*.

Eligibility criteria:

1. Paid at least one (1) employee (part-time or full-time) at any point during Q2 (April through June) 2020 (this includes family child care programs with at least one (1) paid employee);
2. Experienced at least a 50% reduction in gross receipts in Q2 2020 compared to Q2 2019;
3. Did not take a Paycheck Protection Program (PPP) loan.

Scenario:

The Child Care Program closed on April 1, 2020 and laid off three (3) employees. The Program re-opened on June 1, 2020 and hired back (or hired new) one (1) employee. Gross receipts for Q2 2020 are less than 50% of Q2 2019. Wages paid to the worker starting on June 1 are eligible for the tax credit.

Moving forward in the scenario, the Child Care Program hires or re-hires one (1) more worker in August and gross receipts in Q3 2020 (July through September) are 60% of Q3 2019. Wages paid to both workers in Q3 are eligible for the tax credit.

How to Apply:

Filing for this tax credit, which is a result of the CARES Act, is quarterly via the regular Form 941 (due July 31st) that all businesses with workers file. *(The Program takes the credit off of their federal employment taxes, e.g., social security – which makes it **“immediate.”**)*

In summary: If any Child Care Program closed or had a reduction in number of children, AND they paid at least one (1) worker, AND they didn't take a PPP loan, they are eligible to apply for this tax credit. It is an immediate tax credit when you file on July 31st, 2020.

For more information: <https://bit.ly/3fMKN0N>

Questions?

Please contact Cynthia Murphy Senior Program Director, Workforce Solutions at CEI, at Cynthia.Murphy@ceimaine.org.