

American Rescue Plan Enhancements to Employee Retention Credit

March 25, 2021

The American Rescue Plan Act of 2021 (**ARPA**) extended the employee retention credit through the end of 2021 and enhanced the scope of employers eligible to claim the credit by adding two new employer categories: (i) recovery startup businesses and (ii) severely financially distressed employers. A recovery startup business is a business that was created after February 15, 2020 and has annual gross receipts of no more than \$1,000,000. Recovery startup businesses may claim the employee retention credit (capped at \$50,000 per quarter) even if they do not otherwise qualify for the credit (i.e., they neither experienced a complete or partial shutdown due to a COVID-19 governmental shutdown order nor had a decrease in gross receipts of at least 20% for the applicable quarter). A severely financially distressed employer is an employer who had a decrease in gross receipts of at least 90% for the applicable quarter, and such employers may now claim the credit on all qualified wages paid during the applicable quarter without regard to the 500-employee threshold otherwise used to determine the amount of qualified wages. In addition, effective July 1, 2021, the credit will be taken against an employer's Medicare taxes, rather than its share of Social Security taxes.

For additional information on the employee retention credit, please see our prior blog posts (posted on April 8, 2020, May 13, 2020, May 19, 2020, and March 10, 2021) [here](#).

The ARPA is available [here](#).