



Restaurant Employee Retention Credit for 2020 and 2021 Tax Filing Years

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Restaurants, cafes, bars, and other food service businesses can retroactively receive a significant amount of money from the Employee Retention Credit 2021 and 2020 tax years says Disaster Loan Advisors. The ERC and ERTC is a tax refund for businesses that qualify, and is provided by the Internal Revenue Service (IRS). This is a tax credit that resulted from the Coronavirus Aid, Relief, and Economic Security (CARES) Act that had the goal of stimulating businesses to retain employees during the COVID pandemic season of 2020 and 2021, covering March 13, 2020 up to December 31, 2021. It was originally calculated at 50% of qualified employee gross wages, with a maximum of \$5,000 per employee for the entire year of 2020. Then in 2021, the percentage of qualified wages was increased to 70%, for a maximum of \$7,000 per employee, per quarter, resulting in up to \$21,000 to \$28,000 for 2021.

Satisfied restaurant owner and head chef claimed the Employee Retention Tax Credit for his multiple restaurant locations. Image Credit: Rh2010 / 123rf.

"Practically all restaurants and food service businesses in every US state are eligible for ERC credit because

the capacity restrictions that were imposed on them during the pandemic by almost every city, county, or state government. And even if their revenue did not decrease, or even if it increased, under the partial shutdown rules, most of these businesses may still qualify for up to \$26k to \$33k in tax refunds per employee on their payroll in 2021 and 2020. There are certain factors that may decrease that number, such as PPP loans, majority owners, and family members, but that still leaves potentially a lot of money on the table for restaurants," said Marty Stewart, Chief Strategy Officer (CSO) with Disaster Loan Advisors (DLA).

Restaurants, bars, and cafes can all qualify for the employee retention credit and claim it in 2022, 2023, and even 2024, if they qualify any part of the time between March 13, 2020 to September 30, 2021 for those that have already existed before the COVID pandemic. For those that were launched or purchased after February 15, 2020, they are eligible from the time they opened until December 30, 2021. These types of restaurants are also known as recovery startup business and are also qualified for the ERC credit for the fourth quarter of 2021 (Q4).

There are two ways in which restaurants are able to qualify for ERC credit. One way is the restaurant has suffered a full or partial shutdown as a result of the government's COVID mandates during the specific periods in 2020 and 2021. Whether fully or partially, from the government mandated shutdown or the beginning date of restaurant capacity restrictions to the date when those restrictions were lifted, the restaurant is qualified for the ERC tax refund.

The other way for a restaurant to be eligible for ERC tax credit is if it has suffered a substantial reduction in gross receipts when compared to the previous years. The decrease is considered to be substantial if the reduction is more than 50 percent in 2020 as compared to the same quarter in 2019, or 20 percent in 2021. It is important to note that the comparison should be for the same quarters of 2020 and 2021 with that of 2019. For a restaurant owner who had paid wages to less than 100 employees in any quarter in 2020 (500 employees or less in 2021), those payroll gross wage numbers and salaries will be considered for the ERC credit, whether they were full time or part time. It should be noted that the rules become tricky for those that paid wages for more than 100 employees in any quarter in 2020, or more than 500 employees in any quarter of 2021.

It should be noted that because of the complicated and confusing rules of the ERC credit program, business owners have been relying on the services of companies that have a team of financial tax professionals that have focused on government stimulus programs such as the ERC credit program. Business owners should also be warned that some CPAs, accountants and financial professionals have been erroneously advising restaurant owners and other business owners that they don't qualify for the ERC credit. This is without having even completed a full analysis to determine if they really do qualify.

An ERC specialist such as Disaster Loan Advisors (DLA) is vital for many restaurant and business employers, especially those who want to maximize the restaurant employee retention credit because the rules are very confusing and difficult to understand. When done properly, a business owner can receive up to \$26,000 to \$33,000 for each W-2 employee on their payroll for the 2020 and 2021 tax filing years. And every eligible company has three years to claim this money from the IRS. To make the claim process easier and to ensure that they are doing it correctly, they can get professional help in their filing of the 941-X amended filing process with Disaster Loan Advisors (DLA).

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Disaster Loan Advisors? (DLA)

Disaster Loan Advisors? (DLA) specializes in the Employee Retention Credit (ERC / ERTC) program where businesses can retroactively claim up to \$26,000 back from the IRS for W2 employees on payroll from 2020 / 2021 tax filing years for qualified quarters.

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