



Employee Retention Credit - 2020 vs 2021 Comparison Chart

The federal government established the Employee Retention Credit (ERC) to provide a refundable employment tax credit to help businesses with the cost of keeping staff employed.

Eligible businesses that experienced a decline in gross receipts or were closed due to government order and didn't claim the credit when they filed their original return can take advantage by filing adjusted employment tax returns. For example, businesses that file quarterly employment tax returns can file [Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund](#) [PDF](#), to claim the credit for prior 2020 and 2021 quarters.

With the exception of a [recovery startup business](#) [↗](#), most taxpayers became ineligible to claim the ERC for wages paid after September 30, 2021. A recovery startup business can still claim the ERC for wages paid after June 30, 2021, and before January 1, 2022. Eligible employers may still claim the ERC for prior quarters by filing an applicable adjusted employment tax return within the deadline set forth in the corresponding form instructions. For example, if an employer files a Form 941, the employer still has time to file an adjusted return within the time set forth under the "Is There a Deadline for Filing Form 941-X?" section in Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund.

Reminder: If you filed Form 941-X to claim the Employee Retention Credit, you must reduce your deduction for wages by the amount of the credit, and you may need to amend your income tax return (e.g., Forms 1040, 1065, 1120, etc.) to reflect that reduced deduction. For additional information, please refer to the following resources:

- Notice 2021-20, Guidance on the Employee Retention Credit under Section 2301 of the Coronavirus Aid, Relief, and Economic Security Act, [question 60](#) [PDF](#).
- Notice 2021-49, Guidance on the Employee Retention Credit under Section 3134 of the Code and Miscellaneous Issues Related to the Employee Retention Credit, [Section IV.C](#) [PDF](#).

For more information, see [Correcting Employment Taxes](#).

The ERC has been amended three separate times after it was originally enacted as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in March of 2020 by the Taxpayer Certainty and Disaster Relief Act of 2020 (Relief Act), the American Rescue Plan (ARPA) Act of 2021, and the Infrastructure Investment and Jobs Act (IIJA).

	CARES Act of March 2020	Relief Act of 2021	American Rescue Plan Act of 2021	Infrastructure Investment and Jobs Act (IIJA)
Period for qualified wages paid	March 13 – December 31, 2020	Extended: January 1 – June 30, 2021	Extended: July 1, 2021 – December 31, 2021* *IIJA retroactively amends section 3134 to limit availability in the fourth quarter of 2021 to a recovery startup business.	October 1 – December 31, 2021 for wages paid only by a recovery start up business, as defined in section 3134(c)(5) of the Code.
Eligible employer	Any employer operating a trade, business, or a tax-exempt organization, but not governments, their agencies, and instrumentalities.	For calendar quarters in 2021, expanded to include certain governmental employers that are: • Organizations described in section 501(c)(1) and exempt from tax under section 501(a), and • Colleges or universities or whose principal purposes is to provide medical or hospital care	No changes	No change

	CARES Act of March 2020	Relief Act of 2021	American Rescue Plan Act of 2021	Infrastructure Investment and Jobs Act (IIJA)
Employment tax offset	Employer's portion of Social Security tax	No change	Changed to employer's portion of Medicare tax	No change

	CARES Act of March 2020	Relief Act of 2021	American Rescue Plan Act of 2021	Infrastructure Investment and Jobs Act (IIJA)
Eligibility requirements	Employer must experience: • full or partial suspension of operations due to government order due to COVID-19 during any quarter, or • significant decline in gross receipts (beginning when gross receipts are less than 50% of gross receipts for the same calendar quarter in 2019 and ending in the first calendar quarter after the calendar quarter in which gross receipts are greater than 80 percent of gross receipts for the same calendar quarter in 2019)	For calendar quarters in 2021, amended decline in gross receipts to be defined as quarter where gross receipts are less than 80% of the same quarter in 2019. For calendar quarters in 2021, added an alternative quarter election rule giving employers ability to look at prior calendar quarter and compare to the same calendar quarter in 2019 to determine whether there was a decline in gross receipts. Provided a rule for employers not existence in 2019 to allow employers that were not in existence in 2019 to determine whether there was a decline in gross receipts by comparing the calendar quarter in 2021 to its gross receipts to the same calendar quarter in 2020.	For third and fourth calendar quarters of 2021, amended to make the credit available to "recovery startup businesses," employers who otherwise do not meet eligibility criteria (full or partial suspension or decline in gross receipts) "Recovery startup businesses" are employers: • That began carrying on any trade or business after February 15, 2020, • That had average annual gross receipts under \$1,000,000 for the 3-taxable-year period ending with the taxable	Limited availability for the fourth quarter of 2021 to a recovery startup business as defined in section 3134(c)(5) of the Code. Removed requirement for fourth calendar quarter that a recovery startup business not otherwise be an eligible employer due to a full or partial suspension of operations or a decline in gross receipts.

	CARES Act of March 2020	Relief Act of 2021	American Rescue Plan Act of 2021	Infrastructure Investment and Jobs Act (IIJA)
			year that precedes the calendar quarter for which the credit is determined, and • Do not meet the other eligibility criteria	

	CARES Act of March 2020	Relief Act of 2021	American Rescue Plan Act of 2021	Infrastructure Investment and Jobs Act (IIJA)
Percent of qualified wages eligible for credit	• 50% of qualified wages (\$10,000 per employee for the year including certain health care expenses) • 100 or fewer average full-time employees in 2019, wages paid to employees providing services and not providing services are qualified wages • Greater than 100 average full-time employees in 2019, wages paid to employees not providing services are qualified wages	• For calendar quarters in 2021, increased maximum to 70% (\$10,000 per employee per calendar quarter including certain health care expenses) for qualified wages paid between January 1 and June 30, 2021 • For calendar quarters in 2021, 500 or fewer average full-time employees in 2019, wages paid to employees providing services and not providing services are qualified wages • For calendar quarters in 2021, greater than 500 average full-time employees in 2019, wages paid to employees not providing services are qualified wages	• Maximums unchanged • For third and fourth calendar quarters of 2021, "severely financially distressed employers" may treat all wages as qualified wages during the calendar quarter in which the employer is severely financially distressed • "Severely financially distressed employers" are eligible employers due to a decline in gross receipts, but with gross receipts that are less than 10% of the	• Maximums unchanged • Due to unavailability of "decline gross receipts," rules relating to "severely financially distressed employers" no longer apply in the fourth calendar quarter of 2021.

	CARES Act of March 2020	Relief Act of 2021	American Rescue Plan Act of 2021	Infrastructure Investment and Jobs Act (IIJA)
			gross receipts in a calendar quarter as compared to the same calendar quarter in 2019. • No change for small employers qualified wages • Provides that employers that were not in existence in 2019 may use the average number of full-time employees in 2020 to determine whether the employer had greater than 500 average full-time employees	

	CARES Act of March 2020	Relief Act of 2021	American Rescue Plan Act of 2021	Infrastructure Investment and Jobs Act (IIJA)
Credit maximums	Maximum credit of \$5,000 per employee in 2020	Increased the maximum per employee to \$7,000 per employee per quarter in 2021	• Maintained quarterly maximum defined in Relief Act (\$7,000 per employee per calendar quarter) • "Recovery startup businesses" are limited to a \$50,000 credit per calendar quarter	• No changes