


Congress of the United States
JOINT COMMITTEE ON TAXATION
Washington, DC 20515-6453

January 19, 2021

MEMORANDUM

TO: Andrew Grossman

FROM: Thomas A. Barthold 

SUBJECT: Supplemental Information on Employee Retention Tax Credit

This memorandum is in response to your request dated January 6, 2021, for additional information on the employee retention tax credit contained in section 2301 of the CARES Act, Pub. L. No. 116-136 and amended by the recently enacted Consolidated Appropriations Act, 2021, Pub. L. No. 116-260.

For calendar year 2020, eligible employers may receive a refundable credit of up to 50 percent of qualified wages (including allocable qualified health plan expenses) against applicable employment taxes. Qualified wages are not to exceed \$10,000 per employee so that the maximum credit for qualified wages paid to any employee is \$5,000. The definition of qualified wages is based in part on whether the employer is a small employer with an average of 100 employees or less in 2019. Small employers that qualify are eligible for the credit for qualified wages paid to any employee whereas large employers that qualify are only eligible for the credit for qualified wages paid for time that an employee is not performing services. The credit is available to employers meeting one of two tests: (1) the employer's operations are fully or partially suspended due to a government order restricting activities due to COVID-19; or (2) the employer has a calendar quarter in 2020 in which gross receipts are less than 50 percent of gross receipts for the same calendar quarter in 2019 (the "reduced gross receipts test").

For the first two calendar quarters of 2021 the credit rate is 70 percent, the small employer threshold is increased to 500 or fewer employees, and the per-employee limit on qualified wages is \$10,000 per calendar quarter. In addition, the reduced gross receipts test is modified to apply to employers that experience a decline in gross receipts of 20 percent from the same calendar quarter in 2019.

We estimate that employers will claim the employee retention tax credit for approximately nine million employees in 2020 and four million employees in 2021. Table 1, below, provides information on the number of employees for whom the employee retention credit will be claimed distributed by the size of the employing entity. The second column provides our estimates of the total number of employing entities, other than the Federal

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government. The third column provides our estimates of the total number of employees employed by entities of each size category. The second and third columns describe the universe of potentially eligible employers and employees. The fourth through seventh columns provide our estimates of the number of employees for whom the employee retention tax credit will be claimed and the value of tax credits claimed for those employees in calendar years 2020 and 2021.

**Table 1: Employee Retention Credit and Entity Size,
 Calendar Years 2020-2021**

Firm Employment Size	Number of Entities	Number of Employees (Millions)	Calendar Year 2020		Calendar Year 2021	
			Number of Employees for Whom Credit is Claimed (Millions)	Credits Claimed (Millions of Dollars)	Number of Employees for Whom Credit is Claimed (Millions)	Credits Claimed (Millions of Dollars)
Total	6,110,706	167	8.9	20,522	4.2	15,458
0-4	3,496,917	7	1.1	2,183	0.2	964
5-9	1,087,032	7	1.1	2,263	0.3	1,149
10-19	707,734	10	1.4	3,105	0.6	1,882
20-99	654,128	26	4.1	9,154	1.7	5,988
100-499	133,660	27	0.5	1,067	1.1	4,341
500-1499	21,325	17	0.1	449	0.1	383
1500+	9,910	73	0.7	2,301	0.2	750

Source: Internal Revenue Service Data, JCT Staff calculations