



# Stimulus Navigator

As of March 9, 2021

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# Introduction

On December 27, 2020, the latest stimulus bill was signed into law. The stimulus includes another round of Paycheck Protection Program funding, but also changes and extends other stimulus programs which could be beneficial for early care and education organizations.

This workbook will help you determine eligibility and how to apply using a step-by-step process.

The Civitas Strategies team wants to thank the Maher Charitable Foundation and the The Henry and Marilyn Taub Foundation for their generous support in developing this tool.

Please don't hesitate with questions: [PPP@civstrat.com](mailto:PPP@civstrat.com)

## Six Eligibility Questions

To determine your eligibility for these stimulus programs, we are going to ask you six questions. Each of these questions is detailed in this document.

- 1 Did you already receive a Paycheck Protection Program (PPP) Loan?  
.....
- 2 Did you have a decrease from 2019 to 2020 of 25% or more (either by the year or quarter)?  
.....
- 3 Did you have a decrease from 2019 to 2020 in any quarter of 50% or more, an ordered closure, or a significant reduction in your capacity to serve children?  
.....
- 4 Did you have a quarter-to-quarter decrease in revenue of 20% or greater in Quarter 4 2020, or have a significant reduction in your capacity to serve children?  
.....
- 5 Is your enterprise in a low-income community?  
.....
- 6 Did your team need time off for COVID-19 or remote school?  
.....

**PRO TIP** As you answer the questions, know you can apply for more than one program, as long as you qualify and follow in the instructions.

## QUESTION 1

# Did you already receive a PPP Loan?

Many people who qualified for the Paycheck Protection Program (PPP) didn't apply because they were hesitant about the uncertainty. However, it is re-opening under similar rules as in the past. There is also an even easier loan forgiveness process now.

### HOW THE PPP WORKS

- 1 You apply through a bank.
- 2 You fill out an application and provide some information, including your 2019 taxes.
- 3 You receive the money in the form of a loan (don't worry – we'll talk about how to make it into a grant).
- 4 You spend the money between 8 and 24 weeks.
- 5 You apply for forgiveness through your lender – this is a simple process to “remove” the debt so you can keep the loan.

If you haven't applied for a PPP already, go to page 11 to learn how to apply.

### GET YOUR NUMBERS

Before you proceed with answering the other questions, we will need some information on how your business did in 2019 and 2020. In the table below you need to enter your gross receipts by quarter. Gross receipts are any money you took in – parent fees, subsidy payments, grants – with one exception: don't include your PPP loan money, EDIL advances, Families First Leave funds, or in-kind donations.

There are two sets of numbers that you should have handy. To fill them out you can use:

- Your 2019 tax returns. If you are a sole proprietor, focus on Schedule C.
- Accounting reports
- Bank statements

**Keep these records.** If you do qualify for stimulus using these records you may need to provide them now, at the time of loan forgiveness, or if asked by the Small Business Administration.

**PRO TIP** The PPP is a lot more defined than when it started in April 2020. There's clarity on forgiveness and easy forms to use.

#### HOW DID YOU ANSWER QUESTION 1?

### Did you already receive a PPP Loan?

✓ **YES** – You may still be eligible for the PPP Second Draw. See page 11 to learn how to apply, and then return to Question 2.

✓ **NO** – Go to Question 2 on page 4.

## STEP 1: CALCULATE YEARLY REVENUE

If you were open all of 2020, calculate the percent decline from 2019 to 2020:

### Yearly Revenue

	2019 REVENUE	2020 REVENUE	PERCENT CHANGE Divide Column B by Column A
	Column A	Column B	Column C
GROSS RECEIPTS			

## STEP 2: CALCULATE QUARTERLY REVENUE

Whether you were open all of 2020 or not, enter your data by quarter.

- **Quarter 1** includes revenue from January to March
- **Quarter 2** includes revenue from April to June
- **Quarter 3** includes revenue from July to September
- **Quarter 4** includes revenue from October to December

If you were not operating for the entire quarter, do not update the numbers — they won't count.

### Quarterly Revenue

QUARTER	2019 REVENUE	2020 REVENUE	PERCENT CHANGE Divide Column B by Column A
	Column A	Column B	Column C
<b>QUARTER 1</b> (Jan to March)			
<b>QUARTER 2</b> (April to June)			
<b>QUARTER 3</b> (July to Sept)			
<b>QUARTER 4</b> (Oct to Dec)			

**PRO TIP** You can use your gross receipts, or for sole proprietorships, independent contractors, or self-employed individuals you can look to “gross income” on your Schedule C, Line 1. Corporations can also use “total income” plus costs of goods sold, excluding net capital gains or losses as these are terms defined and reported on your tax return.

## QUESTION 2

# Did you have a decrease from 2019 to 2020 of 25% or more (either by the year or quarter)?

For the PPP Second Draw, you need to be able to pass a revenue test showing that you took in less money in 2020 than in 2019. There are two ways to test it – by comparing year-by-year or quarter-by-quarter. Using either measure you need to show that your revenue in 2020 was 75% or less of revenue at the same time in 2019. This revenue test (and the others in the Navigator) may be difficult to meet. We know many home based providers have received similar income, but your expenses have increased dramatically. We recommend at least running your numbers. Since it is by quarter there may be differences between 2019 and 2020 that trigger some programs.

If you were entirely closed at any point, you can only use the quarters you were open to answer (and not the annual number).

If you were not closed and Column C for the year-by-year comparison is 0.75 or less, you qualify.

### Example: Yearly Revenue

	2019 REVENUE	2020 REVENUE	PERCENT CHANGE Divide Column B by Column A
	Column A	Column B	Column C
GROSS RECEIPTS	\$50,000	\$30,000	0.6

**PRO TIP** To apply for the PPP Second Draw, you don't have to have received or even applied for forgiveness of the first PPP loan. You just have to have used the funds.

In this yearly example, the business qualified since 0.6 is less than 0.75.

If you were closed or did not qualify by year, check your quarters. If any quarter is 0.75 or less you qualify.

### Example: Quarterly Revenue

QUARTER	2019 REVENUE	2020 REVENUE	PERCENT CHANGE Divide Column B by Column A
	Column A	Column B	Column C
QUARTER 1 (Jan to March)	\$12,000	\$19,000	1.6
QUARTER 2 (April to June)	\$12,000	CLOSED	CLOSED
QUARTER 3 (July to Sept)	\$12,000	\$10,000	0.8
QUARTER 4 (Oct to Dec)	\$14,000	\$6,000	0.4

In this quarterly example, the business qualified in Quarter 4 since 0.4 is less than 0.75. None of the other quarters qualified.

#### HOW DID YOU ANSWER QUESTION 2?

### Did you have a decrease from 2019 to 2020 of 25% or more?

✓ **YES** and you already received a first PPP loan, you can apply for a PPP Second Draw – See page 11 to learn how to apply for the PPP Second Draw, and then return to Question 3.

✓ **NO** – Go to Question 3 on page 5.

### QUESTION 3

## Did you have a decrease from 2019 to 2020 in any quarter of 50% or more, an ordered closure, or a significant reduction in your capacity to serve children?

If you did, likely you can apply for the Employee Retention Tax Credit (ERTC) in 2020. The credit was previously unavailable to you if you had a PPP, but the new stimulus changed the rules so you can apply for eligible quarters in 2020.

The maximum credit **per employee** (which is a W-2 employee, including yourself, if you are one) between March 13, 2020 and December 31, 2020 is \$5,000 based on the amount you paid employees. **You cannot count your income as a sole proprietor or self-employed individual. So, if you are a solo owner, unfortunately you can't use the ERTC.**

The ERTC works for the quarters where your 2020 revenue is 50% of what it was in 2019 (i.e., 0.5 or less in Column C). Your eligibility continues until you have a quarter where 2020 revenue is 80% or more of 2019 levels (i.e., 0.8).

**PRO TIP** If you have a PPP, you cannot “double count” the money. Make sure that the salary you are counting for the ERTC is not the same as the PPP. For example, if you are claiming PPP forgiveness for all your salary in May 2020, you cannot also claim an ERTC.

#### Example: Quarterly Revenue

QUARTER	2019	2020	PERCENT CHANGE Divide Column B by Column A
	Column A	Column B	Column C
QUARTER 1 (Jan to March)	\$25,000	\$10,000	0.4
QUARTER 2 (April to June)	\$25,000	\$12,500	0.5
QUARTER 3 (July to Sept)	\$25,000	\$23,000	0.92
QUARTER 4 (Oct to Dec)	\$25,000	\$25,000	0.0

In Quarters 1 and 2 the business qualifies since Column C is 0.5 or less.

The business continues to qualify since they were below 0.8 in Quarter 2.

But, because the Quarter 3 number is higher than 0.8 they will no longer qualify in Quarter 4.

You can also qualify if you had to close because of a government order, or had a partial suspension of operations. For the partial suspension of operations you need to show a decrease in capacity of 10% or more because of government order. For example, if a center had a pre-COVID (i.e. before February 2020) capacity of 40 children and can now only have a maximum of 25 children on site because of social distancing, they would qualify (since they had a 38% reduction in capacity). However, if they just closed a room because of the lack of demand alone, they would not qualify.

The table below can help you calculate your capacity.

**Example: Determining a Partial Suspension**

QUARTER	PRE-COVID CAPACITY	CAPACITY IN THIS QUARTER	PERCENT CHANGE Divide Column B by Column A
	Column A	Column B	Column C
2020 QUARTER 1 (Jan to March)	65	65	1
2020 QUARTER 2 (April to June)	65	35	0.54
2020 QUARTER 3 (July to Sept)	65	26	0.4
2020 QUARTER 4 (Oct to Dec)	65	35	0.54
2021 QUARTER 1 (Jan to March)	65	35	0.54

In Quarter 1 there was no reduction in capacity.

In all other quarters, there was a reduction in capacity of more than 10%, so they are eligible for the ERTC.

**HOW DID YOU ANSWER QUESTION 3?**

**Did you have a decrease from 2019 to 2020 in any quarter of 50% or more, an ordered closure, or a significant reduction in your capacity to serve children?**

✓ **YES** – Go to page 14 to learn how to apply for the Employee Retention Tax Credit in 2020, and then return to Question 4.

✓ **NO** – Go to Question 4 on page 7.

**PRO-TIP** Partial cessation of a business can apply to a single unit or operation that accounts for 10% or more of the gross revenue of or hours used by the organization. For example, a church-owned child care operation may qualify for partial cessation, even though the rest of the church's operations are not impacted. In this case, the child care operation would qualify for the ERTC (and not the rest of the organization).

#### QUESTION 4

## Did you have a quarter-to-quarter decrease in revenue of 20% or greater in Quarter 4 2020, or have a significant reduction in your capacity to serve children?

If you did, likely you can apply for the Employee Retention Tax Credit (ERTC) in 2021. As part of the new stimulus, the ERTC is open in Quarters 1 and 2 of 2021. In those quarters you only need to show 2020 revenue was 80% or less of the same period in 2019, and you can claim up to \$7,000 per employee per quarter (so for Quarters 1 and 2 the total claimed can be \$14,000).

If you had a 20% or greater decline in Quarter 4 of 2020, you could claim the credit for at least Quarter 1 of 2021. If Quarter 1 shows a decline of 20% or more, you can also claim it for Quarter 2 of 2021.

An example is below. In this case, you can look at the last quarter of 2020 (Quarter 4) to determine the initial eligibility.

#### Example: Quarterly Revenue

QUARTER	2019	2020	PERCENT CHANGE Divide Column B by Column A
	Column A	Column B	Column C
QUARTER 4 2020 (Oct to Dec)	\$40,000	\$30,000	0.75
QUARTER 1 2021 (Jan to March)	\$35,000	\$27,000	0.77
QUARTER 2 2021 (April to June)	\$45,000	\$52,000	1.55

**PRO TIP** If you have a PPP, you cannot “double count” the money. Make sure that the salary you are counting for the ERTC is not the same as the PPP. For example, if you are claiming PPP forgiveness for all your salary in May 2020, you cannot also claim an ERTC.

In this example, Column C for Quarter 4 2020 is 0.75. This is less than 0.8, so the business qualifies.

They also qualify in Quarter 1 2021 since 0.77 is less than 0.8.

Even though the percent change here is 1.55, the business continues to qualify in Quarter 2 2021 because this is the first quarter where the percent change is greater than 0.8.



You can also qualify if you had to close because of a government order, or had a partial suspension of operations. For the partial suspension of operations you need to show a decrease in capacity of 10% or more because of government order. For example, if a center had a pre-COVID (i.e. before February 2020) capacity of 40 children and can now only have a maximum of 25 children on site because of social distancing, they would qualify (since they had a 38% reduction in capacity). However, if they just closed a room because of the lack of demand alone, they would not qualify.

The table below can help you calculate your capacity.

**Example: Determining a Partial Suspension**

QUARTER	PRE-COVID CAPACITY	CAPACITY IN THIS QUARTER	PERCENT CHANGE Divide Column B by Column A
	Column A	Column B	Column C
2020 QUARTER 1 (Jan to March)	65	65	1
2020 QUARTER 2 (April to June)	65	35	0.54
2020 QUARTER 3 (July to Sept)	65	26	0.4
2020 QUARTER 4 (Oct to Dec)	65	35	0.54
2021 QUARTER 1 (Jan to March)	65	35	0.54

In Quarter 1 there was no reduction in capacity.

In all other quarters, there was a reduction in capacity of more than 10%, so they are eligible for the ERTC.

**HOW DID YOU ANSWER QUESTION 4?**

**Did you have a quarter-to-quarter decrease in revenue of 20% or greater in Quarter 4 2020, or have a significant reduction in your capacity to serve children?**

✓ **YES** – Go to page 16 to learn how to apply for the Employee Retention Tax Credit in 2021, and then return to Question 5.

✓ **NO** – Go to Question 5 on page 9.

**PRO-TIP** Partial cessation of a business can apply to a single unit or operation that accounts for 10% or more of the gross revenue of or hours used by the organization. For example, a church-owned child care operation may qualify for partial cessation, even though the rest of the church’s operations are not impacted. In this case, the child care operation would qualify for the ERTC (and not the rest of the organization).

## QUESTION 5

# Is your enterprise in a low-income community?

The new stimulus includes a Targeted Economic Injury Disaster Loan (EIDL) program specifically for businesses in low-income communities (this is a government term, not ours).

The term “low-income community” means any population census tract if the poverty rate for such tract is at least 20 percent, or in the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of statewide median family income, or in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income.

Additionally, you need to show a decline in gross receipts for an 8-week period between March 2, 2020 and December 17, 2021, compared to the 8-week period immediately preceding March 2, 2020 or one during 2019.

The EIDL has both an advance (which is a grant) of up to \$10,000 and a loan. We suggest you apply for the advance only. The loan component is an option but should be thoroughly researched and understood before applying since it is debt that will not be forgiven.

Some initial guidance was received on January 19, 2021 from the SBA. First, they will reach out by email to businesses in the selected communities that applied for an EIDL and received a partial EIDL Advance in 2020 (i.e. between \$1,000 - \$9,000). The SBA will use an email ending in @sba.gov. The email will contain instructions on how to apply for the balance of your advance (we have not seen these yet)

Next, the SBW will reach out by email for businesses in the selected areas who applied EIDL assistance on or before December 27, 2020, but did not receive an EIDL Advance since the money ran out. Again, there will be instructions.

We don't know how funds will be distributed after this section group- so stay tuned!

If you are curious if your community is eligible, you can check [here](#) and follow these steps:

- 1 Select 2020 as the year.
- 2 Enter your address.
- 3 Hit search.
- 4 Hit income data.
- 5 When the results come up, go to the Income Tab.
- 6 Scroll under the income tab to “% Below Poverty Line”

**PRO TIP** If you have an EIDL advance for less than \$10,000 but otherwise qualify, you can apply for the remaining advance. For example, a qualified business that received an EIDL advance of \$1,000 in 2020 could apply for \$9,000 in 2021.

### HOW DID YOU ANSWER QUESTION 5?

## Is your enterprise in a low-income community?

✓ **YES** – Be ready for an email with an sba.gov address and follow the instructions. Also, continue to look for emails from us with additional information.

✓ **NO** – Go to Question 6 on page 10.

## QUESTION 6

# Did your team need time off for COVID-19 or remote school?

The new stimulus extends the ability to get funds through the Families First Coronavirus Relief Act Leave. Business are no longer required to provide this leave, but can take it voluntarily and receive the tax credits through March 31, 2021. There are two types of leave through this program. You can use both if you qualify.

### Emergency Paid Sick Leave

First, the Emergency Paid Sick Leave Act (EPSLA) provides up to 80 hours of sick leave for employees:

- At their regular rate of pay (up to \$511 per day with a cap of \$5,110 for the whole 80 hours) if the employee is quarantined for potential COVID-19 exposure or has COVID-19 symptoms.
- At two-thirds their regular rate of pay (up to \$200 per day with a cap of \$2,000) if the employee is caring for someone under quarantine or a child (under 18) whose school is closed due to COVID-19 or the employee is experiencing symptoms of COVID-19 and seeking diagnosis. A school closure includes remote learning situations where the child is at home.

### Emergency Family & Medical Leave

Second, the Emergency Family and Medical Leave Expansion Act (EFMLEA) provides up to 12 weeks of expanded family and medical leave with 10 of those weeks paid at two-thirds of the employee's regular rate of pay (up to \$200 per day with a cap of \$2,000) if the employee is unable to work (including telework) to care for a child whose school or childcare provider is closed due to COVID-19. A school closure includes remote learning situations where the child is at home.

**PRO TIP** The maximum amount of leave did not “reset” in 2021. For example, if an employee used a week of Emergency Medical Leave in 2020, they could only use one more in 2021.

#### HOW DID YOU ANSWER QUESTION 6?

### Did your team need time off for COVID-19 or remote school?

✓ **YES** — Go to page 18 to learn how to apply for the Emergency Paid Sick Leave Act and Families First Coronavirus Relief Act Leave.

# Applying for the PPP First & Second Draw

## Introduction

The PPP is a forgivable loan. That means a business can apply for the loan have the debt eliminated through the forgiveness process (essentially making it a “grant”).

Small businesses with **no more than 500 employees** qualify for a PPP First Draw while businesses with **300 employees or less** qualify for a PPP Second Draw. All small businesses can apply, including sole proprietorships and contractors.

You apply for the PPP through a participating bank.

## How to Apply

### FILLING OUT THE FORM

Though you apply through your bank online, we recommend first filling out the official SBA form to ensure you have the answers to the required questions before you sign in.

The form can be found online in [English](#) and [Spanish](#).

Here are the instructions for filling out the form:

- **Check one:** Check your type of business.
- **DBA or Trade name:** If none, write N/A. If you do have a *Doing Business As*, enter it.
- **Year of establishment:** Enter it here. Self-employed individuals and independent contractors may enter “NA.”
- **Business legal name:** The name of your business. Sole proprietors or self-employed should use their own name.
- **NAICS Code:** This is a standard code for the type of business you have. The code for child care (centers and home-based) is 624410.
- **Applicant:** This is the type of business you are. Only choose one:
  - **No more than 500 employees/  
No more than 300 employees** ←
  - SBA industry size standards – this will likely not apply to you
  - SBA alternative size standard – this also likely does not apply to you
- **Business address:** The address of the business. This can be your home address if applicable.
- **Business TIN:** This is your EIN (for a corporation) or the social security number for sole proprietors or self-employed.
- **Business phone:** The number for your business.
- **Primary contact:** Typically the person filling out the application.
- **Email address:** The primary contact’s email.

Businesses with no more than 500 employees qualify for a **PPP First Draw**.

Businesses with 300 employees or less qualify for the **PPP Second Draw**.

All small businesses can apply, including sole proprietorships and contractors.

- **Purpose of the loan:** You have to use at least 60% of the money for payroll costs, so check that option immediately. The remaining 40% can be other expenses; check all that apply:
  - **Rent/mortgage interest** is for your business rent or mortgage interest if you normally put it on your taxes
  - **Utilities**, including electricity, oil, telephone, internet, sewage
  - **Covered operations expenses**, including business software, business-related cloud computing services, product or service delivery, payroll processing, payment, and tracking costs, HR and billing functions, tracking of supplies, inventory, records, and expenses
  - **Covered property damage costs**, including costs related to damage or vandalism caused by looting or public disturbances in 2020 that were not covered by insurance or other compensation
  - **Covered supplier costs**, including payments to a supplier of goods that are essential to operations and made pursuant to a contract or order in effect at any time before the covered period or, with respect to perishable goods, in effect at any time during the covered period
  - **Covered worker protection expenses**, including operating or capital expenditures required to comply with requirements or guidance issued by the CDC, HHS, OSHA, or any state or local government during the period beginning March 1, 2020, and ending on the date when the national emergency expires
- **Average monthly payroll:** This is the most complex part of the form.

#### For the time-period:

- Most applicants will use the Average Monthly Payroll for 2019. To do this, use your total payroll (see below on the definition) but cap the amount on \$100,000 in annual income per employee. For example, if you have an employee who makes \$120,000 you can only count \$100,000 of her wages. Divide the total payroll by 12 (i.e., 12 months).
- For applicants that file IRS Form 1040, Schedule C, payroll costs are computed using Line 7, limited to \$100,000, plus any eligible payroll costs for employees and dividing that number by 12.
- For seasonal businesses, you can use average total monthly payroll for any 12-week period between February 15, 2019 and February 15, 2020, again excluding costs over \$100,000 on an annualized basis.
- For new businesses, average monthly payroll may be calculated using the time period from January 1, 2020 to February 29, 2020, excluding costs over \$100,000 on an annualized basis.

#### Your payroll costs include:

- Wages and pay for the owner and W-2 employees (not 1099 contractors);
- Payment for vacation, parental, family, medical, or sick leave (except those paid leave amounts for which a credit is allowed under FFCRA Leave);
- Payment for the provision of employee benefits (including insurance premiums) consisting of group health care coverage, group life, disability, vision, or dental insurance, and retirement benefits; payment of state and local taxes assessed on compensation of employees; and,

**PRO-TIP** On March 1, 2021, the formula for calculating PPP for sole proprietors and self-employed people without employees changed. Unfortunately, it currently **ONLY** applies for applications after March 1, 2021.

- For an independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation. You can find this on your Schedule C, Line 7.
- **Number of employees:**
  - Add together all the W-2 employees
  - Count a sole proprietor or self-employed individual as 1 employee (so your minimum number should be “1”)
- **Applicant ownership:** Who owns the business? All parties listed below are considered owners of the business, as well as “principals:”
  - If you are a sole proprietorship or self-employed this is you
  - For corporations, include everyone with more than 20% ownership
  - For nonprofits include a person who is able to sign contracts on behalf of the organization

# Applying for the Employee Retention Tax Credit 2020

The Employee Retention Tax Credit (ERTC) in 2020 was previously unavailable to you if you had a PPP, but the new stimulus changed the rules so you can apply for eligible quarters in 2020.

The maximum credit **per employee** between March 13, 2020 and December 31, 2020 is \$5,000 based on the amount you paid employees. **You cannot count your income as a sole proprietor or self-employed individual. So if you are a solo owner, unfortunately you can't use the ERTC.**

The ERTC works for the quarters which show a 50% decline and the following quarters until there is less than a 20% decline. For example, if you had declines of: Quarter 1: 53%, Quarter 2: 50%; Quarter 3: 10% and Quarter 4: 0%, you are eligible for Quarters 1, 2, and 3.

## Is my business eligible?

To be eligible for the Employee Retention Tax Credit you must have either:

- **Completely or partially suspended business operations** during any calendar quarter in 2020 due to orders from a government authority. The one exception — if your employees are working from home instead of an office, this is not considered to be a partial suspension of your business operations.
- **Experienced a “significant decline in gross receipts”** during a calendar quarter equal to less than 50% of gross receipts in the same quarter in 2019. If you qualify based on a decline of gross receipts, you can use this qualification until one quarter of your gross receipts is greater than 80% of the same quarter in 2019.

## How does it work?

The Employee Retention Tax Credit is equal to 50% of up to \$10,000 in qualified wages (including amounts paid toward health insurance) **per employee** for all calendar quarters **beginning March 13, 2020 and ending December 31, 2020**. If you are claiming the credit specifically for a closure, you can only use payroll during that period. The maximum credit per employee between March 13, 2020 and December 31, 2020 is \$5,000.

### Here's an example:

Let's say you have an employee who has gross wages of \$60,000 per year. That means each quarter they have gross wages of \$15,000. In Quarter 1 you could request half of the gross wages up to \$5,000. In this case, half of the gross wages of \$15,000 would be \$7,500, so you could request the full amount for the year of \$5,000.

If you had less than 100 employees on average in 2019, you can claim credit for every qualified employee whether they are working or not (but of course they need to be on your payroll and not unemployment). If you had more than 100 employees on average in 2019, you can only use payroll for those employees who are actively working.

**Some other important notes:**

You cannot claim self-employment income. So, if you are a sole proprietor you can use the income from an employee, but not yourself.

If you have wages covered by the Families First Coronavirus Response Act, Paid Family and Medical Leave, or through a Work Opportunity Tax Credit, they will not count for the program.

**How do I get reimbursed?**

You get reimbursed through a “refundable tax credit.” That’s a technical way of saying the United States Treasury pays you using money from employment taxes. Think of this term as simply a “reimbursement” for the applicable wages.

**You can get reimbursed in two ways:**

- First, you can take the money owed off your quarterly employment tax returns (this is typically through an IRS form 941). Any credit above what you are paying in federal employment tax can be requested using the IRS Form 7200.
- Second, you can request payment any time (even more than once in a quarter) using the IRS Form 7200 (even if you didn’t withhold your payroll taxes). The Form 7200 is easy, and since it can be done as many times as you want, it’s an easier way to ensure a positive cash flow for your business.

**What else should I know?**

Remember, the Employer Retention Tax Credit is only for full- time employees. Also, if you received a Paycheck Protection Program Loan, you are ineligible for the Credit.

**For more information:**

Visit the [US IRS website](#).



# Applying for the Employee Retention Tax Credit 2021

The maximum credit **per employee** between January 1, 2021 and June 30, 2021 is \$7,000 per quarter based on the amount you paid employees. **You cannot count your income as a sole proprietor or self-employed individual. So, if you are a solo owner, unfortunately you can't use the ERTC.**

The ERTC works for the quarters which show a 20% decline and the following quarters until there is less than a 20% decline. So that means if you have a 20% decline in 2020 Quarter 4, you can apply for the following quarter – 2021 Quarter 1. If you have another 20% decline in Quarter 1 2021, you can apply for Quarter 2.

## Is my business eligible?

To be eligible for the Employee Retention Tax Credit you must have either:

- **Completely or partially suspended business operations** during any calendar quarter in 2020 due to orders from a government authority. The one exception – if your employees are working from home instead of an office, this is not considered to be a partial suspension of your business operations.
- **Experienced a “significant decline in gross receipts”** during a calendar quarter equal to less than 50% of gross receipts in the same quarter in 2019. If you qualify based on a decline of gross receipts, you can use this qualification until one quarter of your gross receipts is greater than 80% of the same quarter in 2019.

## How does it work?

The Employee Retention Tax Credit is equal to 70% of up to \$10,000 in qualified wages (including amounts paid toward health insurance) **per employee** per quarter. If you are claiming the credit specifically for a closure, you can only use payroll during that period. The maximum credit per employee between January 1, 2021 and June 30, 2021 is \$14,000.

### Here's an example:

Let's say you have an employee who has gross wages of \$60,000 per year. That means each quarter they have gross wages of \$15,000. In Quarter 1 you could request half of the gross wages up to \$7,000. In this case, half of the gross wages of \$15,000 would be \$7,500, so you could request the full amount for the quarter of \$7,000.

### Some other important notes:

You cannot claim self-employment income. So, if you are a sole proprietor you can use the income from an employee, but not yourself.

If you have wages covered by the Families First Coronavirus Response Act, Paid Family and Medical Leave, or through a Work Opportunity Tax Credit, they will not count for the program.

## How do I get reimbursed?

You get reimbursed through a “refundable tax credit.” That’s a technical way of saying the United States Treasury pays you using money from employment taxes. Think of this term as simply a “reimbursement” for the applicable wages.

### You can get reimbursement in two ways:

- First, you can take the money owed off your quarterly employment tax returns (this is typically through an IRS Form 941). Any credit above what you are paying in federal employment tax can be requested using the IRS Form 7200.
- Second, you can request payment any time (even more than once in a quarter) using IRS Form 7200 (even if you didn’t withhold your payroll taxes). **The Form 7200 is easy, and since it can be done as many times as you want, it’s an easier way to ensure a positive cash flow for your business.**

## What else should I know?

Remember, the Employer Retention Tax Credit is only for full- time employees. Also, if you received a Paycheck Protection Program Loan, you are ineligible for the Credit.

## For more information:

Visit the [US IRS website](#).

**PRO TIP** If you have a PPP, you cannot “double count” the money. Make sure that the salary you are counting for the ERTC is not the same as the PPP. For example, if you are claiming PPP forgiveness for all your salary in May 2020, you cannot also claim an ERTC.

### EXAMPLES OF PARTIALLY SUSPENDED BUSINESS OPERATIONS

A partial closure can include a restaurant that cannot seat customers – or as many customers – because of pandemic-related government order, but can still provide take-out service.

A child care provider who must have fewer children per classroom due to government social distancing orders would qualify for the ERTC.

# Applying for the Families First Coronavirus Relief Act Leave

The new stimulus extends the ability to get funds through the Families First Coronavirus Relief Act Leave. Business are no longer required to provide this leave, but can take it voluntarily and receive the tax credits through March 31, 2021.

## Is my business eligible?

If you have fewer than 500 employees, you can take advantage of the FFCRA. **Even if you are a sole proprietor or self-employed and it is just you — you can take advantage of the program.**

## How does it work?

The FFCRA covers leave taken between April 1, 2020 and December 30, 2020.

### THERE ARE TWO TYPES OF LEAVE AVAILABLE.

#### Emergency Paid Sick Leave Act (EPSLA)

First, the Emergency Paid Sick Leave Act (EPSLA) provides up to 80 hours of sick leave for employees:

- **At their regular rate of pay** (up to \$511 per day with a cap of \$5,110 for the whole 80 hours) if the employee is quarantined for potential COVID-19 exposure or has COVID-19 symptoms.
- **At two-thirds their regular rate of pay** (up to \$200 per day with a cap of \$2,000) if the employee is caring for someone under quarantine or a child (under 18) whose school is closed due to COVID-19 or the employee is experiencing symptoms of COVID-19 and seeking diagnosis. **A school closure includes remote learning situations where the child is at home.**

#### Emergency Family and Medical Leave Expansion Act (EFMLEA)

Second, the Emergency Family and Medical Leave Expansion Act (EFMLEA) provides up to **12 weeks** of expanded family and medical leave with 10 of those weeks paid at **two-thirds the employee's regular rate of pay** (up to \$200 per day with a cap of \$2,000) if the employee is unable to work (including telework) to care for a child whose school or childcare provider is closed due to COVID-19. **A school closure includes remote learning situations where the child is at home.**

## How do I get reimbursed?

You get reimbursed through a “refundable tax credit.” That’s a technical way of saying the United States Treasury pays you using money from employment taxes. Think of this term as simply a “reimbursement” for the applicable wages.

Reimbursement is handled differently if the employee taking the leave is a “W-2 employee” or a sole proprietor/self-employed individual.

**PRO TIP** If you have a PPP, you cannot “double count” the money. Make sure that the salary you are counting for the ERTC is not the same as the PPP. For example, if you are claiming PPP forgiveness for all your salary in May 2020, you cannot also claim an ERTC.

#### EXAMPLES OF PARTIALLY SUSPENDED BUSINESS OPERATIONS

A partial closure can include a restaurant that cannot seat customers — or as many customers — because of pandemic-related government order, but can still provide take-out service.

A child care provider who must have fewer children per classroom due to government social distancing orders would qualify for the ERTC.

#### EXAMPLE OF A SIGNIFICANT DECLINE IN GROSS RECEIPTS

Let's say in Quarter 2 your gross receipts were 35% of 2019 levels. Then, in Quarter 3 you jumped up to 95% of gross receipts from 2019. You still qualify in Quarter 3 because of the reduced Quarter 2 levels. In Quarter 4, you will no longer qualify if your gross receipts are still more than 50% of 2019 levels.

## FOR W-2 EMPLOYEES

You can get reimbursement for W-2 employees in two ways.

- 1 You can take the money owed off your quarterly employment tax returns (this is typically through an IRS form 941). Any credit above what you are paying in federal employment tax can be requested using the IRS Form 7200.
- 2 You can request payment any time (even more than once in a quarter) using the IRS Form 7200 (even if you didn't withhold your payroll taxes). **The Form 7200 is easy, and since it can be done as many times as you want, it's an easier way to ensure a positive cash flow for your business.**

## FOR SOLE PROPRIETORS & THE SELF-EMPLOYED

If you are a sole proprietor or self-employed business who claimed the credit you need to alert your tax preparer of the need to use Form 7202: Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals. To help you with this process, we have created **ATTACHMENT A**, which provides a way to share the data (and how to use the credit) with your tax preparer.

### Filling Out Form 7200

Form 7200 is intimidating at first. But if you take it one field at a time, you'll find it is something that can be completed in a short amount of time.

**Name** — This is the name of your business.

**Trade name (if any)** — If you legally use another name for your business.

**Employer identification number (EIN)** — Your business ID with the federal government.

**Address** — Put in your business address.

**Applicable calendar quarter** — Check the box to indicate the applicable calendar quarter of 2020 for which you're filing Form 7200.

**Does a third-party payer file your employment tax return?** — This is the name of your payroll company if you use one.

**Third-party payer's EIN (if applicable)** — This is the payroll company's EIN (if you use one)

## PART I: TELL US ABOUT YOUR EMPLOYMENT TAX RETURN

**Line A** — Check the box to tell us which employment tax return you file or will file for 2020. Most of you will use a 941 (quarterly employee tax return).

**Line B** — Let them know if you are a new business that started on or after January 1, 2020. If you're a new business that hasn't yet filed an employment tax return, you may skip Line C. If you've already filed Form 941, Form 941-PR, or Form 941-SS for at least one quarter of 2020, you must complete Line C.

**Line C** — This is the amount reported on Line 2, Wages, tips, and other compensation, of your most recently filed Form 941. The IRS will use this information to verify that you are the employer you are claiming to be.

**Line D** — Enter the total number of employees you have.

**PRO TIP** This form is for advance payment on credits for W-2 employees only for the Families First Leave or the Employee Retention Tax Credits. Sole Proprietors and self-employed cannot apply for the ERTC and for families first should report it through their end of year taxes or deduct it from their quarterly estimated taxes.

**PRO TIP** If you have 500 or more employees, you're not eligible to claim the credit for qualified paid sick and family leave wages.

## PART II: ENTER YOUR CREDITS & ADVANCE REQUESTED

For example, if you file Form 7200 on April 24, 2020, because you have a \$7,000 employee retention credit to report on Line 1 and reduced deposits of \$4,000 to account for the credit (Line 5), but you previously filed a Form 7200 on April 10, 2020, that reported \$5,000 on Line 1 and reduced deposits of \$3,500 on Line 5, the Form 7200 you file on April 24, 2020, will report \$12,000 on Line 1, \$7,500 on Line 5, and \$1,500 on Line 6 (advance from Form 7200, Line 8, filed April 10). The advance payment requested (Line 8) on April 24 is \$3,000.

**Line 1** – Enter 50% of the amount of the qualified wages you paid to your employees so far in the current quarter.

If you paid any qualified wages between March 13, 2020, and March 31, 2020, include 50% of those wages together with 50% of any qualified wages paid during the second quarter for the second-quarter total to enter on Line 1.

Only enter 50% of the qualified wages; don't enter the full amount. Qualified wages may not exceed 50% of \$10,000 (\$5,000) for any employee for all quarters.

Qualified wages are wages for social security and Medicare tax purposes paid to certain employees during a quarter in which your operations are suspended due to a government order or during a quarter in which you have had a significant decline in gross receipts.

**Line 2** – Enter the qualified sick leave (for COVID illness, taking care of family with COVID or quarantining because of COVID). Remember - wages may not exceed \$511 for any day (or portion of a day) for which the individual is paid sick leave.

**Line 3** – Enter the qualified family leave wages you paid so far in the current quarter. You may add to this Line your cost of maintaining health insurance coverage for the employee during the family leave period (see **Credit for certain health plan expenses**, later), and you may also add to this Line the employer's share of Medicare taxes on the qualified family leave wages paid. Remember – qualified family leave wages can't exceed \$200 per day or \$10,000 in the aggregate per employee for the year.

**Line 4** – Add Lines 1, 2, and 3 and enter the result on Line 4.

**Line 5** – Enter the amount by which you have already reduced your federal employment tax deposits for the credit for qualified leave wages (and certain health expenses and the employer's share of Medicare tax on the qualified leave wages) and the employee retention credit for this quarter. If you use a payroll company they may have already applied some of the credit to your payroll. They should have a report to provide this information to you.

**Line 6** – Enter the amount of any advances that you applied for on previous filings of this form for this quarter. So, if you have already filed one or more Form 7200s the total should be here.

**Line 7** – Add Lines 5 and 6 and enter the result on Line 7.

**Line 8** – Subtract Line 7 from Line 4 and enter the amount on Line 8. If the amount is zero or less, don't file this form; you're not eligible to receive an advance. If it is more than zero, this is the amount which will be sent in a check to you.

**PRO TIP** The amounts entered on Lines 1, 2, 3, 5, and 6 are cumulative totals for the quarter.

## THIRD-PARTY DESIGNEE

If you want to allow an employee, a paid tax preparer, or another person to discuss your Form 7200 with the IRS, check the “Yes” box in the Third-Party Designee section.

## SIGN HERE (APPROVED ROLES)

Complete all information and sign Form 7200. The following persons are authorized to sign Form 7200 for each type of business entity.

- **Sole proprietorship** — The individual who owns the business.
- **Corporation (including a limited liability company (LLC) treated as a corporation)** — The president, vice president, or other principal officer duly authorized to sign.
- **Partnership (including an LLC treated as a partnership) or unincorporated organization** — A responsible and duly authorized partner, member, or officer having knowledge of its affairs.
- **Single-member LLC treated as a disregarded entity for federal income tax purposes** — The owner of the LLC or a principal officer duly authorized to sign.

## What else should I know?

Employers may exclude healthcare providers or emergency responders from EPSLA and EFMLEA leave, and businesses with less than 50 employees can qualify for an exemption if the leave would jeopardize the viability of the business.

## For more information:

Visit the [US Department of Labor website](#).

# Attachment A: Supplemental Worksheet for Form 7202 IRS Credits for Sick Leave and Family Leave

In accordance with the Families First Coronavirus Leave Act, sole proprietors must use Form 7202 IRS to report the number of days unable to perform services between the dates of April 1, 2020 through December 31, 2020 as a result of government-ordered closures, COVID-19 related self-quarantine, caring for an individual under quarantine, or caring for a child whose school, place of care, or childcare provider was unavailable due to COVID-19. Use the worksheet below to complete Form 7202 IRS and enter the resulting total on Line 12b on Schedule 3 (1040) Additional Credits and Payments as a qualified sick and family leave credit.

In the table below, enter leave taken between April 1, 2020 to December 31, 2020 *due to COVID-19 related government-ordered business closures or COVID-19 related self-quarantine*. Enter the total on Line 1 of Form 7202 IRS.

FORM 7202 IRS: LINE 1		
Start Date	End Date	Total Days
<b>TOTAL (ADD ALL ROWS):</b>		

In the table below, enter leave taken between April 1, 2020 to December 31, 2020 *due to care of an individual under COVID-19 related quarantine, care of a child whose school, place of care, or childcare provider was closed due to COVID-19.\** Enter the total on Line 2 of Form 7202 IRS.

FORM 7202 IRS: LINE 2		
Start Date	End Date	Total Days
<b>TOTAL (ADD ALL ROWS):</b>		

\* A child must be under 18 years of age or incapable of self-care due to mental or physical disability.

# About Civitas Strategies

Founded in 2009, Civitas Strategies, is a management consultancy focused on increasing the impact of mission-driven organizations, both for-profits and nonprofits.

We strive to continually provide our clients with the highest value service, while also controlling costs to ensure accessibility for all. Our success is reflected in the fact that 98% of our project revenue over the past ten years has come from referrals or return business from satisfied clients.

Further, we extend our client commitment to the wellbeing of the nation. We give away 15% of our net revenue each year to mission-driven organizations in the form of cash gifts or in-kind pro bono consulting. We are also working to reduce our environmental impact by being carbon neutral, through the purchase of offsets from the Carbon Fund Foundation.

Our firm offers our clients actionable and affordable services that include:

- Strategy, Systems Change & Collective Impact Planning using our proprietary Finding Your North Star™ System;
- Coaching & Advisement;
- Talent Recruitment & Management;
- Capacity Building; and
- Program Evaluations (through Luminary Evaluation Group)



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