



# ADP SmartCompliance<sup>®</sup>

## Tax Credits Module — CARES Act Employee Retention Credit

### What Employers Are Facing Today

Employers of nearly every size and industry are facing economic hardship as a result of the health pandemic. The Coronavirus Aid, Relief, and Economic Security (CARES) Act addresses the needs of employers who, despite fully or partially suspended business activities, have continued to compensate employees. Under Section 2301 of the CARES Act, eligible employers can claim a tax credit against applicable employment taxes your business has paid for employees retained during the COVID-19 crisis. The Consolidated Appropriations Act, 2021<sup>1</sup> extended the credit through June 30, 2021 with some modifications.

### Relief Is Available

**The CARES Act employee retention tax credits benefits to eligible employers include:**



A tax credit equal to: (i) **50% of qualified wages** paid from March 13, 2020 through December 31, 2020, up to \$10,000 of wages in the aggregate per employee; and (ii) **70% of qualified wages** paid from January 1, 2021 through December 31, 2021, up to \$10,000 of wages per employee per quarter



A maximum tax credit value of: (i) up to **\$5,000 per employee**, based on wages paid from March 13, 2020 through December 31, 2020; and (ii) up to **\$14,000 per employee**, based on wages paid from January 1, 2021 through December 31, 2021

### Challenges You May Face

**Capturing complex employee retention credits can be a heavy burden. While many employers may be eligible, many may also find it difficult to:**

- Determine the correct tax credit amount available for each employee's wages
- Identify eligible employees and determine how much of their wages qualify
- Access and analyze months of payroll data
- Allocate time to calculate and file for the tax credit
- Reconcile estimates during your quarterly filings

### Did You Know...



An employer with **2,000** employees each eligible for the maximum credit value could receive a retention tax credit of a maximum of **\$10MM** in 2020 and a maximum of **\$28MM** for 2021 (1st and 2nd quarters)?

Source: irs.gov

### ADP: A Trusted Service Provider

ADP provides proven experience to craft a specialized tax credit approach that can help you quickly claim eligible CARES Act Employee Retention Credits that could bring your business crucial financial relief.

**With ADP, you'll have a unique approach that will help:**

1. **Confirm Business Eligibility.** Our tax credit specialists will confirm credit eligibility by evaluating the business structure, locations, dates of impacted operations, and gross receipts.
2. **Identify Eligible Employees.** We will help identify ineligible, eligible and partially eligible employees (i.e., those working, but at reduced hours or a reduced rate).
3. **Determine Qualified Wages.** Our team will help determine qualified wages, factoring the employer portion of health insurance, bonuses, commissions, reductions in overtime and sick leave into the calculation.
4. **Assist with Filings.** We coordinate payroll tax filing, providing complete transparency of the tax credit approach, and a range of the potential credit. We'll analyze your business's quarterly tax filing deposits and assist you with the IRS Form 941 or 941X.
5. **Prepare for Audits.** Our team establishes periodic check-ins to discuss your business operations, compare year-over-year gross receipts and prepare an audit-ready tax credit package.



# Added Benefits for Existing Clients

## Connected Environment

ADP can **tightly connect** your payroll data to our tax credits analysis engine and efficiently pass the necessary individual and aggregate tax credit information necessary for a quick estimated tax credit or a quarterly filing.

## Trusted Relationship

For the CARES Act Employee Retention Credit, you can continue relying on **ADP account managers who know your business's** payroll and tax staff, leveraging existing payroll integrations and ADP advanced data analysis. And, you already know you can trust in the accuracy of ADP's proven workflows.

## \$100M+

ADP has helped capture this amount in various **employee retention credits** related to the 2017 natural disasters<sup>2</sup>.

## ADP SmartCompliance®: A Proven Solution

The **ADP SmartCompliance Tax Credits module** combines decades of tax credits expertise, dedicated specialists to work with your team, and unmatched technology to help identify the tax credits for which your business may be eligible.



### Experience

With **40+ years** of tax credits and business incentives experience in all 50 states, ADP helps more than 4,800 clients of nearly every size – capturing nearly \$1B in federal and state tax credits in 2019 alone. ADP is especially adept at helping businesses quickly utilize tax credits offered in response to disruptive events – guiding clients to capture \$100M+ in **employee retention credits** offered in response to 2017 natural disasters and \$600M+ for over 249 clients for CARES Act **employee retention credits**<sup>3</sup>.



### Specialist Expertise

ADP has **250+ dedicated tax credits specialists** to study tax credits legislation, develop advanced systems to mine for and monitor credit opportunities, and help manage complex tax credits paperwork on your behalf.



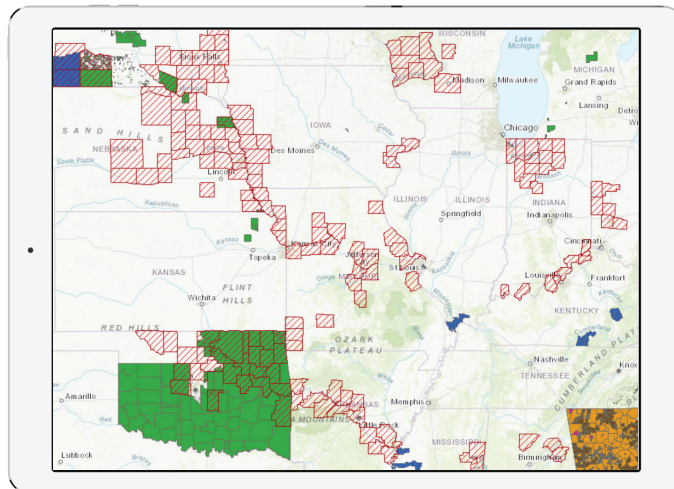
### Audit Support

Should you face an IRS audit related to the CARES Act Employee Retention Credit, ADP provides the supporting information you'll need. You won't have to scramble to put tax, payroll, and tax credit information all together.



### Advanced Technology

By capturing data from your payroll system, the ADP SmartCompliance Tax Credits Incentives Manager provides interactive **heat maps** that highlight employment locations in affected "shelter-in-place" zones, helping identify employees potentially eligible for the Employee Retention Credit. An automated **analytics engine** constantly evaluates changes to your payroll data, displaying a **dashboard view** of up-to-date tax credit opportunities and status of tax credits in process.



Heat Map: ADP SmartCompliance Tax Credits

For more information about the ADP SmartCompliance Tax Credits module, visit [www.adp.com/taxcredits](http://www.adp.com/taxcredits)

<sup>1</sup> <https://www.congress.gov/116/bills/hr133/BILLS-116hr133enr.pdf>

<sup>2</sup> 2019 ADP Internal Data

<sup>3</sup> 2020 ADP Internal Data

**About ADP SmartCompliance:** ADP SmartCompliance is a cloud-based platform of outsourced services that integrates with many leading payroll, HR and financial systems to help you maintain HCM-related compliance, mitigate risk associated with noncompliance, improve efficiencies and drive operational growth. Its unified capabilities can help handle your health care, employment tax, tax credits, wage payments, employment verification, unemployment claims, W-2 management and wage garnishments needs. Your information is organized in one place to be concise and actionable.

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