



TaxNewsFlash

United States



No. 2021-096
March 1, 2021

Notice 2021-20: FAQs on employment retention credit, and Paycheck Protection Program loans (COVID-19)

The IRS today released an advance version of Notice 2021-20 to address the employee retention credit as it applies to qualified wages paid after March 12, 2020, and before January 1, 2021.

[Notice 2021-20](#) [PDF 476 KB] (102 pages) provides guidance in a “frequently asked question” (FAQ) format.

- The notice has 71 questions and answers providing guidance and including some examples illustrating the rules under the employee retention credit.
- According to a related IRS release—[IR-2021-48](#) (March 1, 2021)—the guidance in Notice 2021-20 is “similar” to the information in the prior FAQs under the employee retention credit, but includes clarifications and describes retroactive changes applicable to 2020, primarily relating to expanded eligibility for the credit.

The employee retention credit was originally allowed under a provision of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) (Pub. L. No. 116-136) (March 27, 2020). Then, provisions of the *Taxpayer Certainty and Disaster Tax Relief Act of 2020* (a division of the Consolidated Appropriations Act, 2021 (Pub. L. No. 116-260) (December 27, 2020)) amended the employee retention credit measures.

Notice 2021-20 states that it does not address the changes made by the December 2020 legislation and that apply to the employee retention credit for qualified wages paid after December 31, 2020. Today’s notice states that the IRS and Treasury Department will address these modifications for calendar quarters in 2021 in future guidance.

Employee retention credit and PPP loans

The IRS explained in IR-2021-48 that for 2020, the employee retention credit can be claimed by employers that paid qualified wages after March 12, 2020, and before January 1, 2021, and that experienced a full or partial suspension of their operations or a significant decline in gross receipts.

The credit is equal to 50% percent of qualified wages paid, including qualified health plan expenses, for up to \$10,000 per employee in 2020. The maximum credit available for each employee is \$5,000 in 2020.

A significant change for 2020 made by the December 2020 legislation permits eligible employers that received a Paycheck Protection Program (PPP) loan to claim the employee retention credit—although the same wages cannot be counted both for seeking forgiveness of the PPP loan and calculating the employee retention credit. Notice 2021-20 explains when and how employers that received a PPP loan can claim the employee retention credit for 2020.

Notice 2021-20 also provides answers to questions such as:

- Who are eligible employers?
- What constitutes full or partial suspension of trade or business operations?
- What is a significant decline in gross receipts?
- How much is the maximum amount of an eligible employer's employee retention credit?
- What are qualified wages?
- How does an eligible employer claim the employee retention credit?
- How does an eligible employer substantiate the claim for the credit?

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)