GROWERTALKS

Features

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Uncle Sam’s Helping Hand With Payroll Costs

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Many employers are struggling to keep employees and attract new workers, all the while finding it increasingly more difficult—and expensive—to compete with large employers offering hiring bonuses and other perks to attract new workers. If, or when, the bipartisan infrastructure bill becomes a reality, many in the green industry may find it even more difficult to compete in attracting—and paying for—the needed extra workers.

Fortunately, many growers, retailers, nursery and landscape businesses are finding their current efforts to offer higher pay and more benefits are being helped by several of Uncle Sam’s often overlooked tax breaks. Thanks to the unique Employee Retention Credit (ERC), for example, many growing and retail businesses can get money back from the government through a credit against their payroll taxes.

The Employee Retention Credit

Geared toward small and mid-size businesses, the Employee Retention Credit (ERC) was designed to encourage businesses to keep employees on their payroll. In addition to having 500 or fewer employees, an employer’s eligibility is based on having annual gross receipts of less than 70% (versus the earlier 50% amount) compared to the same quarter in 2019. Thus, any operation’s gross receipts that declined more than 30% in 2021 may be eligible for the credit.

The credit remains at 70% of qualified wages up to a $10,000 limit per quarter producing a maximum of $7,000 per employee per quarter—up to $28,000 per year for each employee. If the amount of the employer’s tax credit is more than its share of those payroll taxes owed for a given quarter, the excess will be refunded.

A business can also claim this credit even if it’s getting (or has already gotten) money from the Payroll Protection Program. Of course, no “double-dipping” (using the same amounts for both) is allowed, although some employers might be able to go back to 2020 and retroactively claim this credit.

Going into the third and fourth quarter of 2021, the rules remain essentially the same as earlier. Eligible employers will report their total qualified wages and the related health insurance costs for each quarter on their employment tax returns (generally, Form 941) for the applicable quarter. If a reduction in the operation’s employment tax deposits isn’t sufficient to cover the credit, some employers may receive an advance payment from the IRS by submitting

Form 7200—Advance Payment of Employer Credits Due to COVID-19.

On the downside, the ERC expires on January 1, 2022. What's more, wages paid to the owners of either an S corporation or a regular corporation don't count under the ERC rules. That's right—the ERC isn't available for wages paid to a majority owner or such owner's spouse.

The Work Opportunity Tax Credit

The Work Opportunity Tax Credit (WOTC) is available for most growers, retailers, nurseries and landscapers, including pass-through entities such as
S corporations and partnerships. The WOTC is a tax credit—a direct reduction in the operation's tax bill—for hiring a worker from selected categories.

The credit isn't limited to a specific dollar amount, although it can't exceed the amount of the operation's tax liability. Generally, the credit equals 40% of up to $6,000 of a qualified employee's first-year wages for a maximum credit of $2,400 per worker who's worked at least 120 hours for the employer.

The WOTC can only be claimed for hiring a member of a targeted group, such as:

• Qualified veterans (including disabled veterans). The veterans must be unemployed for at least four weeks, but less than six months in the one-year period ending on the hiring date.

• Qualified recipients of aid to families with dependent children or a successor program. These individuals are part of a family receiving assistance from a state plan approved under Part A of Title IV of the Social Security Act.

• Long-term family assistance recipients. This applies to family members that receive assistance under a Title-A program.

• Ex-felons. A qualified ex-felon is a person hired within a year of being convicted of a felony or being released from prison.

• Designated community residents (DCRs). The worker must reside in an empowerment zone, enterprise community or renewal community, and continue to live there after placement.

• Vocational rehabilitation referrals. This applies to someone with a physical or mental disability that has been referred to the employer during or after rehabilitative services under certain programs.

• Supplemental Nutrition Assistance Program (SNAP) recipients. This covers members of a family that received SNAP benefits for the previous six months or at least three of the previous five months.

• Supplemental Security Income (SSI) recipients. A person is a qualified SSI recipient for any month in which he or she received SSI benefits within 60 days of the hiring date.

• Qualified long-term unemployment recipients. A qualified long-term unemployment recipient is someone who has been unemployed for not less than 27 consecutive weeks at the time of hiring and received unemployment compensation during this time.

Since hiring workers from within these categories will require certification before they begin, employers must obtain certification that an individual is from a targeted group from a Designated Local Agency (DLA), usually the state employment security agency. This is done by submitting Form 8850 (Pre-Screening Notification and Certification Request for the Work Opportunity Credit) to the DLA within 28 days of that individual beginning work.

Unfortunately, the WOTC cannot be claimed for an employee related to the employer or for any employee who was previously employed by the employer. Nor can the WOTC be claimed for amounts paid under a federally funded, on-the-job training program.

While the WOTC may prove to be of enormous financial benefit for employers between now and 2025, any wages used to claim the WOTC must be taken into account when claiming the other worker-hiring credit, the ERC (the fast -expiring program that offers businesses money back on a percentage of wages paid to their employee), before January 1, 2022.

More hiring help

The WOTC mentioned earlier isn't the only incentive available to help with the cost of hiring workers. Employers who hire veterans can receive up to 50% of the veteran's salary under the VA's Special Employer Initiative (SEI) program to provide training and experience to veterans, usually lasting up to six months. The credit was worth up to $5,000 per employee per quarter in 2020 and $7,000 per employee for each quarter of 2021.

Covered are expenses incurred for the cost of instruction, necessary loss of production due to training status, and supplies and equipment necessary to complete training. And, of course, there's VA support during training and placement follow-up.

Happy endings

While the need for workers is expected to continue in the months ahead, and many tax incentives for hiring those workers will continue, there's a definite "expiration date" on the ERC. The WOTC, of course, won't expire until 2025.

Naturally, the complexity of these and other benefits will require assistance. In many cases, help will come from your operation's state employment security agency (or other DLA in the case of the WOTC) or a qualified tax professional. **GT**

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