

The Employer Assistance Coordination Act

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The Problem: The bipartisan Coronavirus Aid, Relief, and Economic Security (CARES) Act, which the President signed in March 2020, provided vital assistance to small employers who are struggling during the COVID-19 public health and economic crisis.

The CARES Act created two major programs to assist small employers in retaining their employees: the Paycheck Protection Program (PPP) and the Employee Retention Tax Credit (ERTC). While the PPP provides forgivable loans through the Small Business Administration to cover 8 weeks of payroll and other expenses, the ERTC provides a fully refundable tax credit to cover 50-percent of the first \$10,000 in wages and certain health plan costs for each employee. Generally, employers are eligible for PPP if they have 500 or fewer employees, and employers are eligible for the ERTC if they have experienced significant revenue losses or are closed due to government orders.

Currently, however, small employers cannot participate in both of these employee retention programs. As a result, small employers who have participated in PPP and exhausted their PPP assistance are currently unable to also claim the ERTC to help retain employees or to continue providing employer-sponsored health coverage to furloughed employees. This significantly limits the assistance available to the hardest-hit small employers who continue to face unprecedented challenges during the COVID-19 crisis.

The Solution: The Employer Assistance Coordination Act would expand employee retention assistance and improve coordination between the PPP and the ERTC by allowing eligible small employers to participate in both programs. This will ensure that small employers who have exhausted PPP assistance and are struggling to retain their employees or provide health coverage can access the relief provided by the ERTC. The bill includes rules to prevent “double dipping,” so that employers cannot use funds from both programs for the same wages.

For example, under the Employer Assistance Coordination Act, an eligible small employer that received PPP assistance could use that funding to cover 8 weeks of payroll and other expenses. Then, after exhausting their PPP assistance, hardest-hit employers could claim the 50-percent ERTC for the first \$10,000 in wages and health plan costs for each employee. As with the current ERTC, small employers would claim this fully refundable tax credit by immediately reducing their payroll tax payments and receive any excess credit as an advanced payment from the Internal Revenue Service.

The Employer Assistance Coordination Act is supported by:

- U.S. Chamber of Commerce
- National Federation of Independent Businesses