Employee Retention Tax Credit for Staffing Agencies

STAFFING AGENCY

Partial Shutdown Drives Larger Tax Credit Than PPP

Many staffing agencies have experienced significant declines in revenue during the COVID-19 crisis. An even larger percentage of staffing agencies had customers that were required to shut down for some time.

The financial impact from either scenario can unlock significant benefits through the Employee Retention Tax Credit program.

$900K
PPP LOANS

+

$950K
ERTC

=

$1,850M

CHALLENGE **Lost Revenue due to Customers Closing Facilities**

The staffing agency is a **$7M** temporary staffing firm that issues roughly **750 W-2s** per year. Several of their customers were required to close the facilities that they helped staff. The government-mandated closures resulted in lost revenue for them.

PROBLEM **Confusion around Eligibility**

Through significant sales efforts, the agency was successful in replacing much of the lost revenue and did not experience a 50% decline in gross receipts in any quarter during 2020. Assuming they would not be eligible for the employee retention tax credit or that it wouldn't be meaningful if they did since they are a large employer, they chose not to pursue participation in the program.

SOLUTION **Clarus Identifies Eligibility due to the Impact of COVID-19**

After talking with the tax experts at Clarus, the agency discovered that they were eligible for the ERTC as a result of experiencing a partial shutdown due to government mandates. And since they had less than 100 full-time employees, all wages (subject to the $10,000 per employee cap) during the shutdown period were qualified wages. This resulted in a **$950,000 tax credit** which exceeded the PPP loan they obtained earlier in the year.