Instructions for Form 7200

Advance Payment of Employer Credits Due to COVID-19

(Rev. January 2021)

IRS

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Department of the Treasury **Internal Revenue Service** www.irs.gov

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Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 7200 and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form7200*.

At the time Form 7200 and these instructions went to print, the credit for qualified sick and family leave wages expires March 31, 2021, and the employee retention credit expires June 30, 2021. Therefore, Form 7200 can't be filed to request an advance payment of the credit for qualified sick and family leave wages for wages paid after the first quarter of 2021, and it can't be filed to request an advance payment of the employee retention credit for wages paid after the second quarter of 2021. If either or both of these credits are extended, and advance payments are allowed for future quarters of 2021, an update will be posted under Recent Developments *at IRS.gov/Form7200. See* When May You File, *later, for more information.*

General Instructions

What's New

The COVID-19 related employee retention credit and the credit for qualified sick and family leave wages have been extended. The Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act were both amended by recent legislation. The FFCRA requirement that employers provide paid sick and family leave for reasons related to COVID-19 (the employer mandate) expired on December 31, 2020; however, the COVID-related Tax Relief Act of 2020 extends the periods for which employers providing leave that otherwise meets the requirements of the FFCRA may continue to claim tax credits for wages paid for leave taken before April 1, 2021. Form 7200 may be filed to request an advance payment for these credits through April 30, 2021. See *The FFCRA, as amended by the COVID-related Tax Relief Act of 2020*, later. For more information about the credit for qualified sick and family leave wages, and to see if future legislation extends the dates through which the credit may be claimed, go to *IRS.gov/PLC*.

The Taxpayer Certainty and Disaster Tax Relief Act of 2020 modifies the calculation of the employee retention credit and extends the date through which the credit may be claimed to qualified wages paid through June 30, 2021. Form 7200 may be filed to request an advance payment for the employee retention credit through August 2, 2021. For 2021, with respect to the employee retention credit, employers with an average of 500 or fewer full-time employees in 2019 may request advance payment of the credit, subject to a limitation, on Form 7200 after reducing deposits; advances aren't available for employers larger than this. See *The CARES Act, as amended by the Taxpayer Certainty and Disaster Tax Relief Act of 2020*, later. For more information about the employee retention credit, and to see if future legislation extends the dates through which the credit may be claimed, go to *IRS.gov/ERC*.

TIP *The January 2021 revision of Form 7200 should be used to request an advance of the credits eligible to be claimed on a 2021 employment tax return. If you're still eligible to file Form 7200 for 2020 (for example, if you file Form CT-1 for 2020, the last date to file Form 7200 for 2020 is March 1, 2021), use the March 2020 revision of Form 7200 to request an advance of your 2020 credits. The March 2020 revision of Form 7200 is available at IRS.gov/Form7200 (select the link for "All*

Form 7200 Revisions”).

Purpose of Form 7200

These instructions give you some background information about Form 7200. They tell you who may file Form 7200, when and how to file it, and how to complete it line by line. For the latest information about coronavirus (COVID-19) tax relief, go to *IRS.gov/Coronavirus*. For information about the credit for qualified sick and family leave wages, go to *IRS.gov/PLC*. For information about the employee retention credit, go to *IRS.gov/ERC*. If you want more in-depth information about payroll tax topics, see Pub. 15 or go to *IRS.gov/EmploymentTaxes*.

Use Form 7200 to request an advance payment of the tax credits for qualified sick and qualified family leave wages and the employee retention credit that you will claim on the following forms.

- Form 941, Employer’s QUARTERLY Federal Tax Return.
- Form 941-PR, Planilla para la Declaración Federal TRIMESTRAL del Patrono.
- Form 941-SS, Employer’s QUARTERLY Federal Tax Return (American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands).

- Form 943, Employer’s Annual Federal Tax Return for Agricultural Employees.
- Form 943-PR, Planilla para la Declaración Anual de la Contribución Federal del Patrono de Empleados Agrícolas.
- Form 944, Employer’s ANNUAL Federal Tax Return.
- Form 944(SP), Declaración Federal ANUAL de Impuestos del Patrono o Empleador.
- Form CT-1, Employer's Annual Railroad Retirement Tax Return.

You can’t request an advance payment of the credits for sick and family leave for self-employed individuals. Don’t use Form 7200 for those credits.

All references to Form 941 in these instructions also apply to Forms 941-SS and 941-PR. All references to Form 943 in these instructions also apply to Form 943-PR. All references to Form 944 in these instructions also apply to Form 944(SP).

Except where specifically indicated, all references to "wages" in these instructions also mean "compensation" under the Railroad Retirement Tax Act (RRTA).

TIP

When you file Form 7200, you're only requesting an advance of the credits that you will claim on your employment tax return; you're not actually claiming the credits. The credits are claimed when you file Form 941 for the quarter, or Form 943, 944, or CT-1 for the year. You claim the credits by reporting the amount of the credit on specific lines on your employment tax return. For example, on Form 941 for 2021, the credits are reported on Form 941, lines 11b, 11c, 13c, and 13d. You must report the total amount of the advances you received from filing Form 7200 for the quarter on Form 941, line 13f. If you file Form 943, 944, or CT-1, see the form that you file and its instructions for the specific lines on which the credits and advances are reported.

Background

The FFCRA, as amended by the COVID-related Tax Relief Act of 2020. Certain provisions of the FFCRA were designed to help the United States combat COVID- 19 by requiring certain employers with fewer than 500 employees to provide paid sick and family leave to employees unable to work or telework for periods after March 31, 2020, and before January 1, 2021, due to circumstances related to COVID-19. Under the FFCRA, the Emergency Paid Sick Leave Act (EPSLA) requires certain small- and medium-sized employers to provide workers up to 80 hours of paid sick time and the Emergency Family and Medical Leave Expansion Act (Expanded FMLA) requires certain employers to provide workers up to 10 weeks of paid family leave. The FFCRA also authorized fully refundable tax credits to offset the costs of providing the required leave, first reducing the employer share of social security tax on all wages paid and any excess refunded to the employer. If employment taxes withheld for deposit are less than the amount of credit for which the employer is eligible, the employer may request the remaining credit in advance using Form 7200. The FFCRA also provides similar credits for certain self-employed persons in similar circumstances. However, advance payments aren’t available for the credit for self-employed individuals. Although the requirement that employers provide the leave (the employer mandate) expired on December 31, 2020, the COVID-related Tax Relief Act of 2020 extends the periods for which employers providing leave that otherwise meets the requirements of the EPSLA and Expanded FMLA may continue to claim tax credits for wages paid for leave taken before April 1, 2021.

For 2021, employers aren't required to provide employees with paid sick leave or family leave; however, eligible employers that voluntarily pay sick leave or family leave are entitled to claim the refundable tax credits. Eligible employers are businesses and tax-exempt organizations that have fewer than 500 employees and that would have been required to provide qualified sick leave wages and qualified family leave wages if the employer mandate under the FFCRA had been extended. The credits are increased by the qualified health plan expenses allocable to, and the eligible employer share of Medicare tax on, the qualified leave wages. For more information about the credit for qualified sick and family leave wages, and to see if future legislation extends the dates through which the credit may be claimed, go to *IRS.gov/PLC*. See the instructions for line 2 and line 3 for more information about the qualified sick and family leave credits reported on Form 7200.

The CARES Act, as amended by the Taxpayer Certainty and Disaster Tax Relief Act of 2020. The CARES Act, as amended by the Taxpayer Certainty and Disaster Tax Relief Act of 2020, supports certain employers that operate a business during 2021 and retain employees, despite experiencing economic hardship related to COVID-19, with an employee retention credit. For 2021, the refundable tax credit is equal to 70% of qualified wages paid to employees after December 31, 2020, and before July 1, 2021. A maximum of $10,000 in qualified wages for each employee for each calendar quarter may be counted in determining the 70% credit. Employers are eligible for the credit for any quarter in which they have either had to fully or partially suspend operation of business because of governmental orders due to COVID-19, or if their gross receipts for the calendar quarter are less than 80% of the gross receipts for the same calendar quarter in calendar year 2019. For employers that averaged 500 or fewer full-time employees in 2019, the credit is based on the qualified wages paid to all employees during the specified periods. For employers that averaged more than 500 full-time employees in 2019, the credit is based on qualified wages paid during the specified period to those employees not providing services due to the suspension of business operations or decline in gross receipts. Qualified wages include qualified health plan expenses properly allocated to an employee. Certain government entities are entitled to the credit for calendar quarters in 2021, including (1) federal instrumentalities described in section 501(c)(1) and exempt from tax under section 501(a), and (2) any government, agency, or instrumentality that is a college or university or the principal purpose or function of the entity is providing medical or hospital care.

The employee retention credit is only reported on 2021 employment tax returns with respect to qualified wages paid to employees after December 31, 2020, and before July 1, 2021, unless extended by future legislation. For more information about the employee retention credit, and to see if future legislation extends the dates through which the credit may be claimed, go to *IRS.gov/ERC*. See the instructions for line 1 for information about the amount of the employee retention credit to report on Form 7200.

Advance payment for the tax credit for qualified leave wages and the employee retention credit using Form 7200 for 2021. When employers pay their employees, they're required to withhold federal income tax and the employee share of social security and Medicare taxes. Employers are required to deposit these taxes, along with their employer share of social security and Medicare taxes, with the IRS and file employment tax returns (Form(s) 941, 943, 944, or CT-1) with the IRS. Eligible employers who pay qualified sick and family leave wages or qualified wages eligible for the employee retention credit should retain an amount of the employment taxes equal to the amount of qualified sick and family leave wages (plus certain related health plan expenses and the employer share of the Medicare tax allocable to those wages) and their employee retention credit, rather than depositing these amounts with the IRS. The employment taxes that are available for the credits include withheld federal income tax, the employee share of social security and Medicare taxes, and the employer share of social security and Medicare taxes with respect to all employees. If there aren't sufficient employment taxes to cover the cost of qualified sick and family leave wages (plus the qualified health expenses and the employer share of Medicare tax allocable to those wages) and the employee retention credit, eligible employers can file Form 7200 to request an advance payment from the IRS subject to limitations discussed later in these instructions. Don't reduce your deposits and request advance credit payments for the same expected credit. You will need to reconcile your advance credit payments and reduced deposits on your employment tax return.

Examples. If an employer is entitled to a credit of $5,000 for qualified sick leave wages, certain related health plan expenses, and the employer share of Medicare tax on the leave wages and is otherwise required to deposit $8,000 in employment taxes, the employer could reduce its federal employment tax deposits by $5,000. The employer would only be required to deposit the remaining $3,000 on its next regular deposit date.

If an employer is entitled to an employee retention credit of $10,000 and was required to deposit $8,000 in employment taxes, the employer could retain the entire $8,000 of taxes as a portion of the refundable tax credit it is entitled to and file a request for an advance payment for the remaining $2,000, subject to the limitations described in the next paragraph, using Form 7200.

Amount of advance is limited. For the employee retention credit, the Taxpayer Certainty and Disaster Tax Relief Act of 2020 provides that the amount of the advance may not exceed 70% of the average quarterly wages paid by the employer in calendar year 2019. See the instructions for Line E and Line 1 for more information. Only small employers (those that averaged 500 or fewer full-time employees in 2019) may request an advance for 2021. See Only small employers may file Form 7200 below.

More information. For more information about the credit for qualified sick and family leave wages and the employee retention credit, and to see if future legislation extends the dates through which these credits may be claimed, as well as to see if Form 7200 may be filed for additional quarters, go to *IRS.gov/PLC* and *IRS.gov/ERC*, respectively. Also check *Recent Developments* at *IRS.gov/Form7200*.

Who May File Form 7200?

Generally, employers that file Form(s) 941, 943, 944, or CT-1 may file Form 7200 to request an advance payment of the tax credit for qualified sick and family leave wages and/or the employee retention credit. You will need to reconcile any advance credit payments and reduced deposits on your employment tax return(s) that you will file for 2021. No employer is required to file Form 7200. As described earlier under *Background*, instead of filing Form 7200, you should first reduce your employment tax deposits to account for the credits. You can request an advance of the credit that exceeds your reduced deposits by filing Form 7200 or you can wait to get any refund when you claim the credits on your employment tax return.

TIP *New businesses formed after December 31, 2020, can't file Form 7200 to apply for an advance payment of the employee retention credit.*

Only small employers may file Form 7200. The credit for qualified sick and family leave wages may only be claimed by employers that employ fewer than 500 full-time and part-time employees at the time the leave is taken; see *IRS.gov/PLC* and guidance from the Department of Labor at *DOL.gov/agencies/whd/pandemic* for more information. For the employee retention credit, the Taxpayer Certainty and Disaster Tax Relief Act of 2020 limits advance payments of the employee retention credit for 2021 to small employers that averaged 500 or fewer full-time employees in 2019. For employers that weren't in existence in 2019, advance payments are limited to small employers that averaged 500 or fewer full-time employees in 2020. See *IRS.gov/ERC* for more information. Also see the instructions for Line E and Line F, later.

Employment Tax Return Filed by a Third-Party Payer

If you're the common-law employer of the individuals that are paid qualified sick or family leave wages, or wages qualifying for the employee retention credit, you're entitled to the credit for the sick and family leave wages or the employee retention credit, regardless of whether you use a third-party payer (such as a professional employer organization (PEO), certified professional employer organization (CPEO), or Section 3504 Agent) to report and pay your federal employment taxes. The third-party payer isn't entitled to the credits with respect to the wages it remits on your behalf (regardless of whether the third party is considered an "employer" for other purposes).

Section 3504 Agents and CPEOs must complete Schedule R (Form 941), Allocation Schedule for Aggregate Form 941 Filers, when filing an aggregate Form 941, or Schedule R (Form 943), Allocation Schedule for Aggregate Form 943 Filers, when filing an aggregate Form 943. If you're a client of a Section 3504 Agent or CPEO, you're entitled to request the advance payment of the credits on Form 7200 even though your employment tax return information is included on the aggregate employment tax return filed by the Section 3504 Agent or CPEO. However, you will need to provide your Section 3504 Agent or CPEO with copies of the Form(s) 7200 that you submitted so they can reconcile the credits on the aggregate employment tax return.

If you’re a client of a Non-Certified PEO (a PEO that pays wages to individuals as part of the services provided to a client pursuant to a service agreement, such as collecting, reporting, and/or paying or depositing employment taxes), and you’re otherwise entitled to request the advance payment of the credits on Form 7200, you may still request the advance even though your employment tax return information is included on the aggregate employment tax return filed by the Non-Certified PEO. You will need to provide your Non-Certified PEO with copies of the Form(s) 7200 that you submitted so they can reconcile the credits on the aggregate employment tax return using Schedule R (Form 941).

The common-law employer is responsible for the accounting of the employee retention credit and for any liability for improperly claimed credits. CPEOs and other third-party payers must accurately report the employee retention credits based on the information provided by the common-law employer. The CPEO or other third-party payer will be liable for employment taxes, in accord with its normal liability, that are due as a result of any improperly claimed credits.

For more information about third-party payers filing Form 7200, see the frequently asked questions at *IRS.gov/PLC*. For information on the different types of third-party payer arrangements, see section 16 of Pub. 15.

Correcting or Amending Form 7200

You can’t file a corrected or amended Form 7200. For example, if you requested an advance and then later learn that some of the wages weren't qualified wages or you're entitled to less of a credit on your employment tax return than you expected, you can't file a corrected or amended Form 7200. If you made an error on Form 7200, the error will be resolved when you claim the credit on your Form 941, 943, 944, or CT-1. Filing a corrected or amended Form 7200 may delay the processing of your original request for an advance.

When May You File?

The employer tax credits for qualified sick leave wages and qualified family leave wages apply to those wages paid for the period of leave taken from April 1, 2020, through March 31, 2021.

For 2021, the employee retention credit applies to qualified wages paid after December 31, 2020, and before July 1, 2021. You're eligible for the credit during the period in which you experience a suspension of business operations due to a governmental order in a calendar quarter or in a calendar quarter in which you experience a decline in gross receipts. A decline in gross receipts in a calendar quarter occurs when your gross receipts for the calendar quarter are less than 80% of the gross receipts for the same calendar quarter in calendar year 2019.

The last day to file Form 7200 to request an advance payment for qualified sick and family leave wages or the employee retention credit for the first quarter of 2021 is April 30, 2021. The last day to file Form 7200 to request an advance payment for the employee retention credit for the second quarter of 2021 is August 2, 2021. The last date to file Form 7200 is the same whether you file quarterly Form 941, or annual Form 943, 944, or CT-1. You may not file Form 7200 for the quarter after you file Form 941 for the quarter. If you file Form 7200 after the end of the quarter, it's possible that it may not be processed prior to the processing of the filed Form 941 for the quarter. Advance payment requests on Form 7200 for a quarter won't be paid after your Form 941 is processed for that quarter. When the IRS processes Form 941, we will correct the amount reported on Form 941, line 13f, to match the amount of advance payments issued or contact you to reconcile the difference before we finish processing Form 941. If necessary, you can file Form 7200 several times during each quarter for subsequent payments that are eligible for credits; however, see *Correcting or Amending Form 7200*, earlier. Don't file the form to request an advance payment for any anticipated credit for which you already reduced your deposits.

How To File

Fax your completed form to 855-248-0552.

CAUTION *Don't include anything other than Form 7200 with your submission. If you include other information, such as tax returns, letters, requests for phone calls, etc., they won't be considered in processing your Form 7200 and they may delay the processing of your form. However, see* Sign Here (Approved Roles)*, later, for an exception. Don’t submit a duplicate Form 7200.*

Recordkeeping

Keep all records of employment taxes for **at least** 4 years after the date the tax becomes due or is paid, whichever is later. These should be available for IRS review. Your records should include the following information.

- Documentation to show how you figured the amount of qualified sick and family leave wages eligible for the credit.

- Documentation to show how you figured the amount of the employee retention credit.
- Documentation to show how you figured the amount of qualified health plan expenses included in the credits.
- Documentation to show how you determined that the employees were qualified to receive sick and family leave wages. See IRS.gov/PLC for specific records you should maintain to substantiate eligibility for the credit.
- Documentation to show your eligibility for the employee retention credit based on suspension of business operations or a decline in gross receipts. See IRS.gov/ERC for more information.
- Amount of all advances received and copies of completed Form(s) 7200 you filed with the IRS.
- If you use more than one third-party payer or also file your own return for some wages, documentation to show which wages related to the credits were paid by which third-party payer or you.

Specific Instructions

Enter Your Business Information

Enter your name, trade name (if any), employer identification number (EIN), and address at the top of Form 7200. Make sure that they exactly match the name of your business and the EIN that the IRS assigned to your business. If you use a tax preparer to fill out Form 7200, make sure the preparer shows your business name exactly as it appeared when you applied for your EIN. Your Form 7200 can’t be processed if your EIN isn’t entered or if it’s entered incorrectly. Leave the “Trade name” line blank if it is the same as your “Name.” If mail isn't delivered to your street address, enter your P.O. box number. Don't abbreviate the name of a foreign country.

CAUTION *Using an address on Form 7200 that is different from the address we have for you in our records will delay the processing of your Form 7200. Form 8822-B is used to notify the IRS of a change of business address. Enter the address at the top of Form 7200 where you want the IRS to mail the advance payment. If your Form 7200 specifies an address that is different from the last known address we have in our records, we will need to contact you by* *letter (at the last known address according to our records) to confirm your address and whether the advance refund should be mailed to the address listed on Form 7200. We will not process your Form 7200 until we hear back from you.*

Third-party payer information. In the entry spaces immediately above the “Tip” on Form 7200, enter, if applicable, the name and EIN of the third-party payer that you use, or will use, to file your employment tax returns (such as the Form 941) if the third-party payer uses its own EIN on your federal employment tax returns. This will ensure advance payment of the credits you receive are properly reconciled to the federal employment tax return filed by the third-party payer for the calendar quarter for which the advance payment of the credits is received.

To help expedite and ensure proper processing of Form 7200 and reconciliation of advance payment of the credits to the federal employment tax return for the calendar quarter, only those third-party payers who will file a federal employment tax return on your behalf using the third-party payer's name and EIN should be listed on the Form 7200. Typically, CPEOs, PEOs, and other Section 3504 Agents fall into this category of third-party payers.

If a third party will file the federal employment tax return on your behalf using your name and EIN and not the name and EIN of the third party, don't include the name and EIN of the third party. Typically, reporting agents and payroll service providers fall into this category.

For more information about third-party payers and Form 7200, see the frequently asked questions at *IRS.gov/PLC*. Also, see *Employment Tax Return Filed by a Third-Party Payer*, earlier.

Applicable calendar quarter. Check the box to indicate the applicable calendar quarter of 2021 for which you’re filing Form 7200. If you file an annual employment tax return (Form 943, 944, or CT-1), you should still check the box to indicate the applicable calendar quarter of 2021 in which the wages are paid.

The employer tax credits for qualified sick and family leave wages apply to wages paid for leave taken before April 1, 2021. The employee retention credit applies to wages paid before July 1, 2021. If you're requesting an advance of the credits for qualified sick and family leave wages, you may check the box for the first quarter of 2021 only. Although you may be eligible to claim the credit for qualified sick and family leave wages for wages paid after March 31, 2021, for leave taken before April 1, 2021, when you file your employment tax return, you may not request an advance of *the credits for qualified sick and family leave wages after the first quarter of 2021. If you're requesting an advance of the employee retention credit, you may check the box for the first quarter or second quarter of 2021 only. You may not request an advance of the employee retention credit after the second quarter of 2021. If you file Form 7200 and check the box for the second quarter of 2021 and also enter any amount on Part II, line 2 or line 3, your Form 7200 will not be processed. You may check only one box for the quarter; you can't file Form 7200 for two separate quarters using one Form 7200. If you need to file Form 7200 for two separate quarters, file a separate Form 7200 for each quarter. At the time Form 7200 and these instructions went to print, the credits and advance payments aren't available for the third or fourth quarter of 2021. The boxes for the third and fourth quarters of 2021 are provided on the form so that if either or both of these credits are extended and if advance payments are authorized for future credits, Form 7200 will be available for filing as soon as possible. If either or both of these credits are extended and advance payments are authorized for future quarters of 2021, an* *update will be posted under Recent Developments at IRS.gov/Form7200.*

Part I: Tell Us About Your Employment Tax Return

Lines A-F

Line A. Check the box to tell us which employment tax return you file or will file for 2021. **Check only one box**. If you will file two employment tax returns for the same period, such as Form 941 and Form 943, you should file a separate Form 7200 for advance payments of the credit you will claim on each form and identify the relevant employment tax return on each separate Form 7200. Although railroad employers file both a Form 941 and Form CT-1, they must check the “CT-1” box only.

Line B. Tell us if you’re a business that started on or after January 1, 2020. You must check either the “Yes” or “No” box.

Line C. If you’re a new business that hasn't yet filed an employment tax return, you may skip line C. If you've already filed Form 941 for at least one quarter, you must complete line C. Enter the amount reported on line 2, Wages, tips, and other compensation, of your most recently filed Form 941. The IRS will use this information to verify that the credit is being paid to the correct employer. If the amount entered doesn't equal the amount shown on your most recently filed employment tax return, that may delay or prevent the processing of your Form 7200. If your wages are reported on Schedule R (Form 941), enter the wages reported by your third-party payer for your EIN on its most recently filed Schedule R (Form 941), column (d). If your wages are reported on Schedule R (Form 943), enter the social security tax N reported by your third-party payer for your EIN on its most recently filed Schedule R (Form 943), column (d). See *Employment Tax Return Filed by a Third-Party Payer*, earlier. If you file a different employment tax return, report the amount from your most recently filed return as follows.

- Form 941-PR, line 5a, Salarios sujetos a la contribución al Seguro Social. Enter the amount reported in columna 1.
- Form 941-SS, line 5a, Taxable social security wages. Enter the amount reported in column 1.
- Form 943, line 2, Wages subject to social security tax.
- Form 943-PR, line 2, Salarios sujetos a la contribución al Seguro Social.
- Form 944, line 1, Wages, tips, and other compensation.
- Form 944(SP), line 1, Salarios, propinas y otras remuneraciones.
- Form CT-1, line 1, Tier 1 employer tax—compensation

(other than tips and sick pay). Enter the amount reported in the *Compensation* column.

Line D. Enter the tax period of your most recently filed employment tax return for which you checked the box on line A. For example, if your most recently filed employment tax return is Form 941 for the fourth quarter of 2020, enter “Q4 2020.” If your most recently filed employment tax form is Form 943 for 2020, enter “2020.”

Line E. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 limits advance payments of the employee retention credit for 2021 to small employers that in 2019 averaged 500 or fewer full-time employees (within the meaning of section 4980H). Aggregation rules apply; see *IRS.gov/ERC* for more information. If you're requesting an advance payment of the employee retention credit (Part II, line 1), enter the average number of full-time employees you had in 2019. If your business wasn’t in existence in 2019, enter the average number of full-time employees you had in 2020. If you enter 501 or more for line E, you aren't eligible to receive an advance payment of the employee retention credit. However, you may still reduce your employment tax deposits and claim the credits for which you are eligible on your applicable employment tax return. For more information about claiming the employee retention credit, go to *IRS.gov/ERC*. Also see *Only small employers may file Form 7200*, earlier.

Line F. If you're requesting an advance payment for qualified sick leave wages and/or qualified family leave wages (Part II, lines 2 and/or 3), enter the number of employees you had when qualified leave was taken during the quarter for the advance requested on line 8. A business is considered to have fewer than 500 employees if, at the time an employee's leave is to be taken, the business employs fewer than 500 full-time and part-time employees. For more information, see *IRS.gov/PLC* and guidance from the Department of Labor at *DOL.gov/agencies/whd/pandemic*.

Part II: Enter Your Credits and Advance Requested

Lines 1–8

The amounts entered on lines 1, 2, 3, 5, and 6 are cumulative totals for the quarter. For example, if you file Form 7200 on February 23, 2021, because you have a $7,000 employee retention credit that is eligible to be advanced and reported on line 1 and you reduced deposits by $4,000 to account for the credit (line 5), but you previously filed a Form 7200 on February 9, 2021, that reported $5,000 on line 1 and reduced deposits of $3,500 on line

5, the Form 7200 you file on February 23, 2021, will report $12,000 on line 1, $7,500 on line 5, and $1,500 on line 6 (advance from Form 7200, line 8, filed February 9). The advance payment requested (line 8) on February 23 is $3,000. If you later file another Form 7200 to request an advance payment of any leave credits on lines 2 and 3, you must still enter your cumulative totals for the quarter on lines 1, 2, 3, 5, and 6 even if you're not reporting any new amount for the employee retention credit on line 1.

Line 1. Total employee retention credit for the quarter. For the first and second quarters of 2021 only, enter the total employee retention credit advance for the quarter. This is the lesser of your credit for wages paid through the date of your filing Form 7200 or the amount eligible to be advanced. You may not enter an amount on line 1 if you had an average of more than 500 employees in 2019; see *Only small employers may file Form 7200* and the instructions for Line E, earlier. Additionally, the amount you enter on line 1 may not exceed certain amounts; see *Amount of advance is limited*, earlier, and *Employee retention credit eligible to be advanced for the quarter is limited*, later. Your employee retention credit is 70% of the amount of the qualified wages you paid to your employees so far in the current quarter. Qualified wages may not exceed $10,000 for any employee for the quarter. Therefore, the maximum employee retention credit per employee per quarter is $7,000 ($10,000 x 70%). On line 1, only include 70% of the qualified wages; don’t enter the full amount. The maximum amount you may enter on line 1 for the quarter can't exceed the number of employees you have multiplied by $7,000. You may not know you have qualified wages entitling you to the employee retention credit until you have determined that you have a reduction in gross receipts necessary to qualify as an eligible employer.

Qualified wages, including qualified health plan expenses, are limited to a maximum of $10,000 for each employee for the quarter. Qualified wages are wages for social security and Medicare tax purposes paid to certain employees during any period in a quarter in which your business operations are fully or partially suspended due to a government order or during a quarter in which your gross receipts (within the meaning of section 448(c) or if you're a tax-exempt organization, section 6033) are less than 80% of the gross receipts for the same calendar quarter in calendar year 2019.

For 2021, the wages and qualified health plan expenses considered in calculating your credit depend on the size of your workforce. Eligible employers that had an average number of 500 or fewer full-time employees during 2019 count wages paid to all their employees and the qualified health plan expenses paid or incurred for all employees during any period in the quarter in which business operations are fully or partially suspended due to a government order or during a quarter in which gross receipts are less than 80% of the gross receipts for the same calendar quarter in calendar year 2019. Eligible employers that had an average number of more than 500 full-time employees in 2019 may count only wages paid to employees for time that the employees weren't providing services, and qualified health plan expenses paid or incurred by the employer allocable to the time those employees weren't providing services, due to the suspension or decline in gross receipts.

Qualified wages don’t include wages for which the employer receives a credit for sick or family leave under the FFCRA. Employers can receive both a Small Business Interruption Loan under the Paycheck Protection Program (PPP) and the employee retention credit; however, employers can't receive both loan forgiveness and a credit for the same wages. Any wages taken into account in determining the employee retention credit can't be taken into account as wages for purposes of the credits under sections 41, 45A, 45P, 45S, 51, and 1396. The employee retention credit is only reported on 2021 employment tax returns with respect to qualified wages paid to employees after December 31, 2020, and before July 1, 2021, unless extended by future legislation. For more information about the employee retention credit, including rules for new employers, an optional election to determine gross receipts test based on a prior quarter, and rules that allow certain governmental employers to claim the credit for 2021, and to see if future legislation extends the dates through which the credit may be claimed, go to *IRS.gov/ERC*.

Qualified health plan expenses for the employee retention credit. Qualified wages for the employee retention credit include qualified health plan expenses. Qualified health plan expenses are amounts paid or incurred by the employer to provide and maintain a group health plan but only to the extent such amounts are excluded from the employees' income as coverage under an accident or health plan. The amount of qualified health plan expenses taken into account in determining the amount of qualified wages generally includes both the portion of the cost paid by the employer and the portion of the cost paid by the employee with pre-tax salary reduction contributions. However, the qualified health plan expenses shouldn't include amounts that the employee paid for with after-tax contributions. Generally, the amount of qualified health plan expenses is the amount that is allocable to the hours for which the employees receive qualified wages for the employee retention credit.

However, qualified health plan expenses for purposes of the employee retention credit may include health plan expenses allocable to the applicable periods even if the employer isn’t paying any qualified wages to the employee. For more information, see the frequently asked questions for qualified health plan expenses at *IRS.gov/ERC*.

Employee retention credit eligible to be advanced for the quarter is limited. After you figure the total amount of the employee retention credit for the quarter, you must determine if the total amount you may enter on line 1 for the quarter is limited. Section 207(g) of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 limits the total amount of the advance of the employee retention credit for the quarter to an amount that doesn’t exceed 70% of your average quarterly wages that you paid in calendar year 2019. If you're a seasonal employer, you may elect to limit the amount of the advance to 70% of your average quarterly wages you paid for the calendar quarter in 2019 that corresponds to the calendar quarter for which you're filing Form 7200 instead of your average quarterly wages for 2019. If you're an employer that didn’t exist in 2019, the amount of the advance is limited to 70% of your average quarterly wages that you paid in calendar year 2020. Aggregation rules apply; for more information, go to *IRS.gov/ERC*.

Line 2. Total qualified sick leave wages eligible for the credit and paid this quarter. For the first quarter of 2021 only, enter the qualified sick leave wages you paid so far in the quarter. You may add to this line your cost of maintaining health insurance coverage for the employee during the sick leave period (see *Qualified health plan expenses allocable to qualified sick leave and family leave wages*, later), and you may also add to this line the employer share of Medicare tax allocable to the qualified sick leave wages paid. You may not claim the credit or enter an amount on line 2 if you had 500 or more full-time and part-time employees at the time the leave was taken. See *Only small employers may file Form 7200* and the instructions for Line F, earlier. Qualified sick leave wages are wages for social security and Medicare tax purposes, determined without regard to the exclusions from the definition of employment under section 3121(b), that an employer pays that otherwise meet the requirements of the EPSLA, as enacted under the FFCRA. For Form CT-1 filers, qualified sick leave compensation is compensation, determined without regard to the exclusions under section 3231(e)(1), that an employer pays that otherwise meet the requirements of the EPSLA, as enacted under the FFCRA.

Emergency Paid Sick Leave Act (EPSLA). For 2021, certain employers with fewer than 500 employees are entitled to credits under the FFCRA, as amended by the COVID-related Tax Relief Act of 2020, if they provide paid sick leave to employees that otherwise meets the requirements of the EPSLA. Under the EPSLA, wages are qualified sick leave wages if paid to employees that are unable to work or telework after March 31, 2020, and before April 1, 2021, because the employee:

1. Is subject to a federal, state, or local quarantine or isolation order related to COVID-19;
2. Has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
3. Is experiencing symptoms of COVID-19 and seeking a medical diagnosis;
4. Is caring for an individual subject to an order described in (1) or who has been advised as described in (2);
5. Is caring for a son or daughter because the school or place of care for that child has been closed, or the childcare provider for that child is unavailable, due to COVID-19 precautions; or
6. Is experiencing any other substantially similar condition specified by the U.S. Department of Health and Human Services.

Son or daughter. For purposes of this credit, a son or daughter must generally have been under 18 years of age or incapable of self-care because of a mental or physical disability. A son or daughter includes a biological child, adopted child, stepchild, foster child, legal ward, or a child for whom the employee assumes parental status and carries out the obligations of a parent. For more information about who is a son or daughter under the FFCRA, see *DOL.gov/agencies/whd/pandemic*.

Limits on qualified sick leave wages. The EPSLA provides different limitations for different circumstances under which qualified sick leave wages are paid. For paid sick leave qualifying under (1), (2), or (3), earlier, the amount of qualified sick leave wages is determined at the employee's regular rate of pay, but the wages may not exceed $511 for any day (or portion of a day) for which the individual is paid sick leave. For paid sick leave qualifying under (4), (5), or (6), earlier, the amount of qualified sick leave wages is determined at two-thirds the employee's regular rate of pay, but the wages may not exceed $200 for any day (or portion of a day) for which the individual is paid sick leave. The EPSLA also limits each individual to a maximum of up to 80 hours of paid sick leave. Therefore, the maximum amount of paid sick leave wages paid to one employee can't exceed $5,110 for an employee for leave under (1), (2), or (3), and it can't exceed $2,000 for an employee for leave under (4), (5), or (6). For more information from the Department of Labor on these requirements and limits, see *DOL.gov/agencies/whd/pandemic*.

The credit for qualified sick leave wages is only available for wages paid for leave taken before April 1, 2021. For more information about the credit for qualified sick leave wages, and to see if future legislation extends the dates through which the credit may be claimed, go to *IRS.gov/PLC*.

Line 3. Total qualified family leave wages eligible for the credit and paid this quarter. For the first quarter of 2021 only, enter the qualified family leave wages you paid so far in the quarter. You may add to this line your cost of maintaining health insurance coverage for the employee during the family leave period (see *Qualified health plan expenses allocable to qualified sick leave and family leave wages*, later), and you may also add to this line the employer share of Medicare tax allocable to the qualified family leave wages paid. You may not claim the credit or enter an amount on line 3 if you had 500 or more full-time and part-time employees at the time the leave was taken. See *Only small employers may file Form 7200* and the instructions for Line F, earlier. Qualified family leave wages are wages for social security and Medicare tax purposes, determined without regard to the exclusions from the definition of employment under section 3121(b), that an employer pays that otherwise meet the requirements of the Expanded FMLA, as enacted under the FFCRA. For Form CT-1 filers, qualified family leave compensation is compensation, determined without regard to the exclusions under section 3231(e)(1), paid under the Expanded FMLA, as enacted under the FFCRA.

Emergency Family and Medical Leave Expansion Act (Expanded FMLA). For 2021, certain employers with fewer than 500 employees are entitled to credits under the FFCRA, as amended by the COVID-related Tax Relief Act of 2020, if they provide paid family leave to employees that otherwise meets the requirements of the Expanded FMLA. Under the Expanded FMLA, wages are qualified family leave wages if paid to an employee who has been employed for at least 30 calendar days when an employee is unable to work or telework due to the need to care for a son or daughter under 18 years of age or incapable of self-care because of a mental or physical disability because the school or place of care for that child has been closed, or the childcare provider for that child is unavailable, due to a public health emergency. See *Son or daughter*, earlier, for more information.

The first 10 days for which an employee takes leave may be unpaid. During this period, employees may use other forms of paid leave, such as qualified sick leave, accrued sick leave, annual leave, or other paid time off. After an employee takes leave for 10 days, the employer provides the employee paid leave (that is, qualified family leave wages) for up to 10 weeks. For more information from the Department of Labor on these requirements, possible exceptions, and the limitations discussed below, see *DOL.gov/agencies/whd/pandemic*.

Rate of pay and limit on wages. The rate of pay must be at least two-thirds of the employee’s regular rate of pay (as determined under the Fair Labor Standards Act of 1938), multiplied by the number of hours the employee would otherwise have been scheduled to work. The qualified family leave wages can’t exceed $200 per day or $10,000 in the aggregate per employee.

The credit for qualified family leave wages is only available for wages paid for leave taken before April 1, 2021. For more information about the credit for qualified family leave wages, and to see if future legislation extends the dates through which the credit may be claimed, go to *IRS.gov/PLC*.

Qualified health plan expenses allocable to qualified sick leave and family leave wages. The credit for qualified sick leave wages and qualified family leave wages is increased to cover the qualified health plan expenses that are properly allocable to the qualified leave wages for which the credit is allowed. These qualified health plan expenses are amounts paid or incurred by the employer to provide and maintain a group health plan but only to the extent such amounts are excluded from the employees' income as coverage under an accident or health plan. The amount of qualified health plan expenses generally includes both the portion of the cost paid by the employer and the portion of the cost paid by the employee with pre-tax salary reduction contributions. However, qualified health plan expenses don't include amounts that the employee paid for with after-tax contributions. For more information, go to *IRS.gov/PLC*.

Line 4. Add lines 1, 2, and 3. Add lines 1, 2, and 3 and enter the result on line 4.

Line 5. Total amount by which you have already reduced your federal employment tax deposits for these credits for this quarter. Enter the amount by which you have already reduced your federal employment tax deposits for the credit for qualified leave wages (and certain health expenses and the employer’s share of Medicare tax on the qualified leave wages) and the employee retention credit for this quarter. Enter the amount as a positive number. If you don’t enter this amount, or you enter the incorrect amount, you may have an underpayment when you file your employment tax return.

Line 6. Total advanced credits requested on previous filings of this form for this quarter. Enter the amount of any advances that you applied for on previous filings of this form for this quarter. If you don’t enter this amount, or you enter the incorrect amount, you may have an underpayment when you file your employment tax return.

Line 7. Add lines 5 and 6. Add lines 5 and 6 and enter the result on line 7.

Line 8. Advance requested. Subtract line 7 from line 4 and enter the amount on line 8. If the amount is zero or less, don’t file this form; you’re not eligible to receive an advance. The minimum amount that will be paid as an advance is $25. If the amount on line 8 is less than $25, don't file Form 7200. However, you may still claim the credits for which you're eligible on your employment tax return. You will need to report the amount of the advance that you request on your employment tax return for the return period, as well as the amounts that you requested on line 8 of other Forms 7200 that you file during the return period. You will report the total amount of the advances you received from filing Form 7200 for the quarter on Form 941, line 13f. If you file Form 943, 944, or CT-1, see the form that you file and its instructions for the specific lines on which the credits and advances are reported.

CAUTION *We will apply any advance requested to any past due tax account that is shown in our records under your EIN before paying the advance you requested.*

Third-Party Designee

If you want to allow an employee, a paid tax preparer, or another person to discuss your Form 7200 with the IRS, check the “Yes” box in the *Third-Party Designee* section. Enter the name, phone number, and the five-digit personal identification number (PIN) of the specific person to speak with—not the name of the firm that prepared Form 7200. The designee may choose any five numbers as his or her PIN.

By checking “Yes,” you authorize the IRS to talk to the person you named (your designee) about any questions we may have while we process your Form 7200. You also authorize your designee to do all of the following.

- Give us any information that is missing from your Form 7200.
- Call us for information about processing your Form 7200.
- Respond to certain IRS notices that you’ve shared with your designee about math errors and Form 7200 preparation. The IRS won't send notices to your designee.

You’re not authorizing your designee to bind you to anything (including additional tax liability) or to otherwise represent you before the IRS. If you want to expand your designee's authorization, see Pub. 947.

The authorization will automatically expire after 1 year. If you or your designee wants to terminate the authorization, write to the IRS office for your location using the *Without a payment* address in the instructions for your employment tax return.

Sign Here (Approved Roles)

Complete all information and sign Form 7200. The following persons are authorized to sign Form 7200 for each type of business entity.

- **Sole proprietorship—**The individual who owns the business.
- **Corporation (including a limited liability company (LLC) treated as a corporation)—**The president, vice president, or other principal officer duly authorized to sign.
- **Partnership (including an LLC treated as a partnership) or unincorporated organization—**A responsible and duly authorized partner, member, or officer having knowledge of its affairs.
- **Single-member LLC treated as a disregarded entity for federal income tax purposes—**The owner of the LLC or a principal officer duly authorized to sign.
- **Trust or estate—**The fiduciary.

Form 7200 may be signed by a duly authorized agent of the taxpayer if a valid power of attorney has been filed.

In many circumstances, whether the person signing the Form 7200 is duly authorized or has knowledge of the partnership's or unincorporated organization's affairs is not apparent on the Form 7200. To help expedite and ensure proper processing of Forms 7200, if a taxpayer has duly authorized an officer, partner, or member to sign Form 7200 (and that person isn’t otherwise explicitly permitted to sign the Form 7200 by nature of their job title), the taxpayer should submit with Form 7200 a copy of the Form 2848, Power of Attorney and Declaration of Representative, authorizing the person to sign the Form 7200.

Payroll Reporting Agents Can Sign and Submit Form 7200 on Behalf of Clients

A payroll reporting agent (RA) may sign Form 7200 for a client for which it has the authority, via Form 8655, Reporting Agent Authorization, to sign and file the employment tax return (for example, Form 941). The signatory must be the Principal or Responsible Official listed on the RA's e-file application. The signatory may sign with ink on paper or may use the alternative signature method (rubber stamp, mechanical device, or computer software program); for details and required documentation, see Rev. Proc. 2005-39, 2005-28 I.R.B.

82, available at *IRS.gov/irb/2005-28_IRB#RP-2005-39*. Consistent with Rev. Proc. 2005-39, an alternative signature must be in the form of a facsimile signature. The RA will submit the form via fax to 855-248-0552. The RA must obtain written authorization from the client (paper, fax, or email) to perform these actions regarding the Form 7200. The RA doesn’t need to submit that authorization to the IRS, but should retain it in its files so that the RA can furnish it to the IRS upon request. For a client for which a third party doesn’t have a Reporting Agent Authorization, it may complete and print the form, or it may provide the client a means to complete and print the form, but the client will have to sign it. The signatory for the RA must sign, date, and print his or her name in the relevant boxes on Form 7200. In the "Printed Title" box, the signatory must include the RA company name or name of business as it appeared on line 9 of the Form 8655. If the RA company name or name of business from the Form 8655 is missing, the Form 7200 can't be processed.

Paid Preparer Use Only

A paid preparer must sign Form 7200 and provide the information in the *Paid Preparer Use Only* section if the preparer was paid to prepare Form 7200 and isn't an employee of the filing entity. Paid preparers must sign paper returns with a manual signature. The preparer must give you a copy of Form 7200 in addition to the copy to be filed with the IRS.

If you’re a paid preparer, enter your Preparer Tax Identification Number (PTIN) in the space provided. Include your complete address. If you work for a firm, enter the firm's name and the EIN of the firm. You can apply for a PTIN online or by filing Form W-12. For more information about applying for a PTIN online, go to *IRS.gov/PTIN*. You can't use your PTIN in place of the EIN of the tax preparation firm.

Privacy Act and Paperwork Reduction Act Notice.

We ask for the information on Form 7200 to carry out the Internal Revenue laws of the United States. You’re not required to request advance payment of the credit for qualified sick or family leave wages, or the employee retention credit; if you do request it, you’re required to give us the information requested on this form. Subtitle C, Employment Taxes, of the Internal Revenue Code imposes employment taxes on wages and provides for income tax withholding. Section 6109 requires you to provide your identification number. Sections 6001, 6011, and 7805 authorize us to collect the other information. We need it to figure the right credit and figure and collect the right amount of tax. Failure to provide this information may delay or prevent processing your request; providing false or fraudulent information may subject you to penalties.

You’re not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires us to disclose this information to others as described in the Code. We may disclose your tax information to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and possessions to administer their tax laws. We may disclose this information to the Social Security Administration for administration of the Social Security Act. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The time needed to complete and file Form 7200 will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	7 hr., 39 min.
Learning about the law or the form	35 min.
Preparing and sending the form to the IRS	45 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 7200 simpler, we would be happy to hear from you. You can send us comments from *IRS.gov/FormComments*. Or you can write to the Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Don't send Form 7200 to this address. Instead, see *How To File*, earlier.

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