

# Employee Retention Credit

## Frequently Asked Questions (FAQ)

*The FAQ is for informational purposes only. The FAQ should not be relied upon as professional tax advice. When making ERC determinations, congregations should consult a tax professional.*

### **Q1: What is the Employee Retention Credit?**

**A1:** The Employee Retention Tax Credit (ERC or ERTC) was included in the CARES Act. The ERC is a refundable credit available to businesses and tax-exempt organizations. Individuals are not eligible for the ERC. The intent of the ERC was to provide relief to employers who kept staff employed during 2020 and 2021.

### **Q2: How does our congregation determine eligibility for the ERC?**

**A2:** The first eligibility requirement is a congregation must have paid qualified wages to some or all employees after March 12, 2020 but before January 1, 2022.

Assuming the first eligibility requirement is met, the congregations then should review the additional eligibility requirements which are as follows:

- Was the congregation shut down by government order due to the COVID-19 pandemic during 2020 or the first three calendar quarters of 2021, or
- Experienced a significant decline (see **Q4** for additional detail) in gross receipts (see **Q3** for additional detail) during the eligibility periods during 2020 or the first three calendar quarters of 2021, or
- Qualified as a recovery startup business for the third or fourth quarters of 2021 (unlikely to be applicable to a congregation).

### **Q3: What are gross receipts?**

**A3:** Gross receipts are the total amount the congregation received from all sources during the period, without subtracting any costs or expenses.

### **Q4: What is a significant decline and what are the IRS requirements?**

**A4:** The significant decline is measured by comparing individual quarters to prior period quarters. Congregations can submit for multiple quarters in 2020 and 2021.

For 2020, a significant decline is defined as quarterly gross receipts declining by more than 50%. Congregations would compare the 2020 quarter to the same quarter in 2019.

For 2021, a significant decline is defined as quarterly gross receipts declining by more than 20%. Congregations would compare the 2021 quarter to the same quarter in 2019.

**Q5: If our congregation received a Paycheck Protection Program (PPP) Loan, are we eligible to receive the ERC?**

**A5:** Yes, however, the congregation cannot claim ERC on wages that were reported as payroll costs under the Paycheck Protection Program loan forgiveness (i.e., congregation cannot double dip).

**Q6: When is the deadline to file ERC claims?**

**A6:** The deadline for filing ERC claims for calendar quarters in 2020 is April 15, 2024. The deadline for filing ERC claims for calendar quarters in 2021 is April 15, 2025.

**Q7: How much can our congregation receive from the ERC?**

**A7:** Congregations can receive up to \$26,000 total per employee (\$5,000 in 2020 and \$21,000 in 2021).

**Q8: Our congregation does not have the skillset to complete the analysis and necessary paperwork to claim the ERC. Do companies aid with the ERC application process?**

**A8:** Yes. Companies aid with the ERC application process. The companies can be compensated by sharing in the monies recouped from the credit or the company could charge a fixed fee. Under the recoupment methodology, the company typically will charge a high percentage, but the congregation does not pay fees upfront. Under the fixed fee methodology, the fee is typically less, but the congregation is required to pay the fee upfront.

However, congregations need to be aware of scams and aggressive ERC marketing. If the congregation selects an ERC company to aid in the application, it is recommended that the appropriate level of due diligence be conducted. A congregation could inquire with their tax professional, CPA, or audit firm to assist with the process.

The ERC is ripe for fraud. Currently, the continued flood of ERC claims is straining the IRS. The IRS has repeatedly warned about third-party companies who stretch ERC eligibility requirements. The IRS will investigate, audit, and review many ERC claims well into the foreseeable future. The IRS does have the ability to claw back monies, assess penalties, assess interest, and assess taxes for claims which stretched the eligibility requirements.

**Q9: Any resources which will provide additional detail on the ERC?**

**A9:** Consult the IRS for additional detail on the ERC. A link is contained below.

<https://www.irs.gov/coronavirus/employee-retention-credit>

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