



This article presents general guidelines for Ohio nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.

Employee Retention Tax Credit: Does Your Organization Qualify?

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The Employee Retention Tax Credit (ERC) has quickly become a hot topic in the past few months, thanks to the significant possible benefits that it offers to employers. The IRS continues to provide guidance that clears up some of the more ambiguous points of the credit. As a result, many employers, that initially concluded that they did not qualify, are now finding that they do in fact meet the eligibility requirements. One significant change is that you can take the ERC even if you received PPP funds.

Here is a brief overview of how to qualify for the credit, how to claim the credit, and the benefits offered for 2020 and 2021. It is important to point out that the revenue reduction percentage drops to 20% in 2021, thus many organizations can meet that decrease when comparing quarters in 2021 to quarters in 2019.

How to qualify – there are two ways to qualify:

1. The employer experienced a significant reduction in gross receipts¹ during any calendar quarter of 2020 or 2021
 - a. 50% reduction in 2020 when compared to the same quarter in 2019
 - b. 20% reduction in 2021 when compared to the same quarter in 2019
2. Partial or complete suspension of its business operations in 2020 or 2021 due to governmental order limiting commerce, travel, or group meetings. This criterion has a wide net of interpretation due to the facts and circumstances nature of the guidance issued, allowing many organizations to qualify even though on the surface they may think they wouldn't. If you did have to limit activities such as travel, because of governmental orders, or have other impacts such as fundraising events, we encourage you to reach out to a professional to discuss your specific circumstances.

¹ Under IRC Section 6033 regulations, "gross receipts" means the gross amount received by the organization from all sources without reduction for any costs or expenses including, for example, cost of goods or assets sold, cost of operations, or expenses of earning, raising, or collecting such amounts. Thus, gross receipts includes, but is not limited to, the gross amount received as contributions, gifts, grants, and similar amounts, the gross amount received as dues or assessments from members or affiliated organizations, gross sales (net of refunds and credits), the gross amount received from the sale of assets without reduction for cost or other basis and expenses of sale, and the gross amount received as investment income, such as interest, dividends, rents, and royalties. Also, when calculating gross receipts if there is a gain/loss on sale of assets or securities or just investment income which includes gain/loss on securities, the gross proceeds on all sales would be included as well. Forgiven PPP loan proceeds are not included in the calculation.



How to apply/claim the credit – the following methods can be used to claim the credit:

1. Claim the credit on an amended payroll tax return (941-X)
2. Claim the credit on a timely filed 941
 - a. This is the quickest way to have the credit processed and funds received. It is strongly recommend prioritizing a timely filed 941 if you are able to claim the credit in Q3 of 2021.
3. Request advance payment of the credit for the current quarter with Form 7200 - then reconcile it on the timely filed 941.

Potential Benefits – the table below shows the potential benefits offered by the credit:

	2020	2021
Applicability	Qualified wages paid from 3/12/20 - 12/31/20	Qualified wages paid from 1/1/21 - 12/31/21
Credit Amount	50% of qualified wages (maximum \$10,000 per employee per year)	70% of qualified wages (maximum \$10,000 per employee per quarter)
Maximum Credit	\$5,000 per employee	\$28,000 per employee

As you can see above, an eligible employer that meets the gross receipts test in 2021 has the potential benefit of \$7,000 per employee per qualifying quarter.

Need Legal Advice?

If you are a PBPO client and have questions regarding the content of this article or need legal assistance, please contact us at info@pbpohio.org or (513) 977-0304. **Not a Client?** Apply to become a client by submitting a [Request for Legal Assistance online](#), or contact us at info@pbpohio.org.

For specific advice regarding how your nonprofit can qualify and claim the ERC, we suggest reaching out to an accountant experienced in working with tax-exempt organizations.

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