

EMPLOYEE RETENTION CREDIT (ERC)

NONPROFIT ORGANIZATIONS

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COVID-19 RESTRICTIONS
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Nonprofits, including but not limited to hospitals, schools, museums, performing arts centers, and churches impacted by COVID-19 restrictions that have W-2 employees are most likely eligible to receive the Employee Retention Credit (ERC). This is the last remaining monetary distribution of COVID-19 relief passed by the CARES Act in 2020, regardless if you've already received PPP1 and/or 2.

While there is a widely held belief that tax-exempt organizations are ineligible for financial relief in the form of a refundable tax credit, this is not the case. Tax-exempt organizations are continually engaged in a trade or business regarding the totality of their operations, and those organizations that were able to retain their employees on payroll during the pandemic can retroactively claim the ERC based on hardships experienced in 2020 and 2021.

The two qualifying tests, independent from each other that determine your ERC eligibility are as follows: 1) the nonprofit(s) experienced decreased revenue during quarters 1-4 and 1-3 in 2020 and 2021, respectively, compared to 2019, OR; 2) the nonprofit(s) were impacted by government mandated restrictions. Many nonprofit companies that survived were subjected to government mandates imposed upon them resulting in partial closures or limited services (e.g., capacity limitations applicable to public and private spaces resulting in cancellations of pre-planned events, restrictions on public gatherings, and state or local orders requiring employees to work remotely). These mandates alone can collectively contribute to a nonprofit's qualification for the ERC.

The ERC offers nonprofits relief in the form of a tax refund check, issued by the IRS, for wages that have already been paid —up to \$26,000 per employee. Strategic Tax Planning will diligently and thoroughly research both revenue- and mandate-based qualifications for all seven quarters from 2020-2021 in which the COVID-19 pandemic may have impacted the operations of the nonprofit. We are here to help you receive the best ERC for operating and retaining your employees during the pandemic

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