

# Employee Retention Credits

*September 2023*



# First Nonprofit

- Founded by United Way in 1978
- Based in Chicago, Illinois
- Our State Unemployment Insurance (SUI) programs serve more than 2,200 nonprofits across the country, covering nearly 650,000 employees.
- An Amynta Group Company



AN AMYNTA COMPANY

# FNP Highlights

*A national leader in the industry providing unemployment funding options & savings programs for Nonprofit, Governmental and Tribal Entities.*


**2,200**  
**nonprofit**   
Customers  
Nationwide

**\$16**  
**billion**   
Managed Payroll

**\$127**  
**million**   
2022 Claims  
Savings

**\$82**  
**Million**   
Experience  
Credits '06-'22

**650,000**   
Managing  
Employees

**29%**   
Average Annual  
UI Savings

**45**   
National & State  
Partners

**\$10**  
**million**   
Employee  
Retention Credits

**30**  
**years**   
Nearly 30 Years  
of Service

# Overview: COVID-19 Employee Retention Credit (ERC)

## What is ERC:

- ERC is a tax credit enacted in 2020 to help employers of all sizes recover a portion of payroll costs paid to employees during the pandemic. This is for both 2020 and 2021
- Unlike other programs, ERC is a refundable credit
- ERC has been extended and modified for 2021, increasing the recovery amount

## What businesses qualify?

- Nonprofits that had operations temporarily or permanently suspended due to government mandate or gross receipts declined significantly qualify for ERC
- Wages paid and health care costs may be tracked to calculate ERC
- Non-profits are potentially eligible



# Year-Year Comparison

	2020	2021
Qualified Wages Tracked	<ul style="list-style-type: none"><li>▪ 50% of wages paid</li></ul>	<ul style="list-style-type: none"><li>▪ 70% of wages paid</li></ul>
Year-over-year gross receipts reductions to 2019 financials	<ul style="list-style-type: none"><li>▪ 50%</li></ul>	<ul style="list-style-type: none"><li>▪ 20%</li></ul>
Headcount criteria (FTE's) to track qualified wages (whether work was performed)	<ul style="list-style-type: none"><li>▪ 100 Employees</li></ul>	<ul style="list-style-type: none"><li>▪ 500 Employees</li></ul>
Ability to claim PPP Loan and ERC	<ul style="list-style-type: none"><li>▪ Yes</li></ul>	<ul style="list-style-type: none"><li>▪ Yes</li></ul>
Credit amount	<ul style="list-style-type: none"><li>▪ Up to \$5,000 per qualified employee</li></ul>	<ul style="list-style-type: none"><li>▪ Up to \$21,000 per qualified employee</li></ul>



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# How Do You Qualify?

## How Do You Qualify?

The business either needs to have had a temporary or permanent suspension of operations due to government mandate OR there needs to have been a significant decline in gross receipts.

For gross receipts, the Client needs to have had either a 50% reduction in 2020, when compared with the same quarter in 2019, or 20% in 2021 when compared with the same quarter in 2019.

For temporary or permanent suspension of operations-even if one or more programs had to stop for a period or time:

- were in person events cancelled due to government orders was travel impacted as a result of mandates,
- did you cancel fundraising events, etc.?
- Even if you were considered an “essential” employer you may have had to limit your operations.

## What else needs to be considered?

Healthcare costs paid by employer can be tracked for the credit as well. Forgiven PPP loan amounts also need to be considered and backed out of eligible wages when calculating the credit.



# Case Study



COVID-19  
Employee Retention Credit  
(ERC)

## Situation:

- Nonprofit with 41 employees working with visually impaired suspended operations from March 16, 2020 – July 3, 2021.
- They did not apply for PPP loans
- They kept 5 staff in the office and continued to pay salaries for the others but not health care
- They had a reduction in gross receipts
  - One Quarter in 2019-\$207,000 to the same Quarter in 2020-\$54,000

## Outcome:

- They qualified credits in 2020 and 2021

## Results:

- Client received more than **\$227,000** in ERC Credits
- They still cannot believe it's true!

# Case Study



COVID-19  
Employee Retention Credit  
(ERC)

## Situation:

- Nonprofit Neighborhood Revitalization Organization with 9 employees.
- Had a one-month shutdown in 2020
- 2021 – 1Q loss of revenue greater than previous year's calendar quarter
- Had 2 PPP loans-one in each year both were forgiven
- They kept all 9 staff on payroll
- Paid healthcare and for two of the calendar quarters which qualified them for recovery of a portion of those premiums. (Exclude PPP amounts and wages earned greater than \$10,000)

## Outcome:

- They qualified for 2 quarters in 2021

## Results:

- Client received more than **\$104,000** in COVID ERC



# FNP Partners With Walton Management

- Working together we



- help determine eligibility
- track all wages/healthcare costs to calculate and report ERC and considers other factors, such as PPP money and how it impacts COVID ERC.
- provide a final, audit ready deliverable to client.



# ERTC FAQs

- **Can my organization still apply for the ERTC?**
  - Yes. The statute of limitations for the 2020 ERTC does not close until April 15, 2024. The statute of limitations for the 2021 ERTC does not close until April 15, 2025.
- **How does my organization apply for the ERTC?**
  - The only way to apply for the ERTC is to file an amended Form 941X (Quarterly Payroll Tax Return) for the quarters during which the organization was an eligible employer.
- **How long does it take for the IRS to provide a refund after filing an amended Form 941X?**
  - The IRS is working diligently to process amended Forms 941X but anecdotal information from the field indicates that it can take anywhere from 6-12 months to receive a refund after filing an amended Form 941-X.
- **Does the ERTC have to be paid back?**
  - No. The ERTC is a fully refundable tax credit claimed first against employment taxes. For many qualified organizations, the refundable credit will be in excess of the payroll taxes paid in a credit-generating period.

# ERTC FAQs

- **My organization received a large PPP loan. Will that impact the ERTC calculation?**
  - You can receive both PPP loan(s) and the ERTC, but you may not include wages funded by PPP in the ERTC calculation. Remember that PPP loans only apply to a limited period of time and the ERTC eligibility periods are longer. PPP funding may be allocated to wages that would not generate any ERTC such as to wages in excess of \$10,000.
- **Does PPP forgiveness count as gross receipts for the ERTC?**
  - No, the IRS has stated that PPP forgiveness does not create gross receipts in the amount of the forgiveness.
- **Who can help my organization file for the ERTC once we know what the credits are?**
  - Your payroll provider is most likely the best equipped to file an amended Form 941X for your organization.

# New IRS Guidelines as of Sept 12<sup>th</sup>

- Adding safeguards to prevent future abuse
- Protect businesses from predatory tactics
- IRS working with Justice Dept. to pursue fraud fueled by aggressive marketing

# Simply start by completing a short survey!



Survey comes back to us via email and then I will send you a longer questionnaire that will help us qualify you further. From there we will ask you to provide wage data for the quarters you qualify for credits.

<https://www.surveymonkey.com/r/5X3CXZ9>

# THANK YOU!



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