

Nonprofits and Churches Can Still Receive Cash Relief from Employee Retention Credit

As a result of the pandemic, many nonprofit organizations only survived subject to governmental orders which forced them to temporarily close operations or limit their services. And while there is a widely held belief that tax-exempt organizations are ineligible for any cash relief appearing in the form of a fully refundable tax credit—this is not correct!

Since tax-exempt organizations are deemed to be engaged in a trade or business regarding the entirety of their operations, those businesses that kept employees on payroll during the pandemic still have the opportunity to access significant cash relief in a refundable employee payroll tax credit—the Employee Retention Credit (ERC). Examples of tax-exempt organizations that have already taken advantage of the ERC include, but are not limited to:

- Hospitals
- Schools
- Museums
- Performing arts centers
- Churches

With credits often exceeding the initial payroll tax liabilities themselves, the ERC has already awarded millions of dollars to a broad spectrum of employers, including nonprofits and churches. And unlike the Paycheck Protection Program (PPP) loans and Shuttered Venue Operator Grants, the ERC was never limited by available federal funds, so any business that qualifies and applies can still find ERC relief!

Launched in March 2020, the ERC remains one of the biggest relief opportunities—up to \$26,000 per employee during 2020 and 2021—available



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to businesses that have been negatively impacted by the COVID-19 pandemic. And even for those businesses already beginning to recover, employers can retroactively claim the ERC based on hardships experienced during 2020 and the first three quarters of 2021.

Tax-exempt employers should also remember: (1) that the ERC is available even if they already received Paycheck Protection Program (PPP) loans or Shuttered Venue Operator Grants, and (2) businesses that started up after February 2020 may qualify under specific ERC provisions that can provide up to \$100,000 in refundable credits in 2021.

ERC Eligibility

Tax-exempt employers are typically eligible because government orders restricted their operations. Commons examples include, but are not limited to:

- Restrictions on school hours in the context of a church that is affiliated with a school.
- Capacity limitations applicable to public and private spaces which caused cancellations of a variety of pre-planned events.
- Restrictions on public gatherings (church services, weddings, etc.)
- A state or local order requiring employees to work remotely.

* Note that orders creating qualifying partial suspensions were more common than many employers and tax practitioners realize.

Another way for tax-exempt employers to be eligible is by showing that the business suffered a reduction in gross receipts.

1. Tax Year 2021 (Quarters 1, 2, and 3):

Employer is eligible if business's gross receipts are more than 20% down from the gross receipts in the same calendar quarter of 2019.

2. Tax Year 2020 (Quarters 1 through 4)

Employer is eligible if business's gross receipts are more than 50% down from the gross receipts in the same calendar quarter of 2019.

Conclusion

Whether or not Congress replenishes other forms of pandemic-related relief for nonprofit organizations and churches, **the ERC remains available now.** Numerous government orders restricted a broad range of ordinary business operations in the industry—and you may be one of many employers entitled to substantial cash benefits. If you operate a tax-exemption organization, don't wait to find out if you qualify! Contact our team at (410) 497-5947 or schedule your free evaluation with our team [HERE](#).

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