



# Mesa Network

---

Bringing more to the table.

MES Æ  
NETWORK

## Legal Disclaimer

This webinar should not be considered as providing any legal or tax advice.

It is intended to provide a concise, practical guide and information about the Employee Retention Credit and how your organization can benefit from its provisions.



# Employee Retention Tax Credit

## Overview & History

# What is the Employee Retention Credit?

- Fully refundable payroll tax credit for employers equal to 50% (2020) or 70% (2021) of qualified wages up to a 10,000 cap per employee.
- Employers qualify based on a decline in gross receipts or a full or partial suspension of their operations.
- Maximum credit is \$5000 per employee in 2020 and \$7000 per employee per quarter for Q1, Q2, Q3 2021
- Both for-profit and tax-exempt organizations qualify
- Employers of any size qualify
- Employers who received PPP loans still qualify

# History of the Employee Retention Credit

CARES Act

March 2020

---

Relief Act

December 2020

---

American Rescue Plan Act

March 2021

---

Infrastructure Investment and Jobs Act

November 2021

# CARES Act of March 2020

- Time Period: March 13 – December 31, 2020
- Employers qualify by experiencing full or partial suspension of operations due to government order OR significant decline in gross receipts (50 %)
- 50% of qualified wages and certain health care expenses
- Maximum qualified wages per employee: \$10,000
- Qualified Wages are those paid to employees who are NOT providing services if employer size is 100 or more FT employees in 2019
- Maximum credit per employee: \$5000

# Relief Act of 2021

- Extended time period through June 30, 2021
- Changed gross receipts reduction qualifications to 80%
- Added alternative quarter election rule
- Added employers not in existence in 2019
- Increased percentage of qualifying wages to 70%
- Changed definition of small employer to 500
- Increased maximum per employee to \$7000 per quarter in 2021

# American Rescue Plan Act of 2021

- Extended time period through December 31, 2021
- Added available credit to “recovery startup businesses”
- Added “severely financially distressed employer” for Q3 and Q4 (90% reduction)

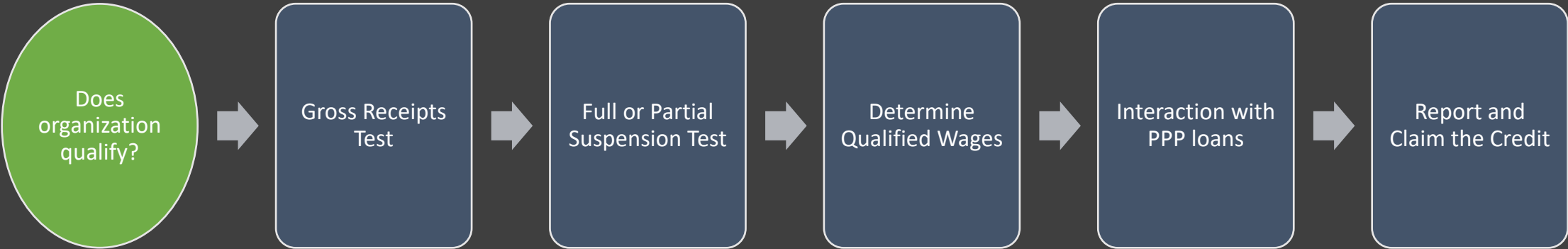


# Infrastructure Investment and Jobs Act

- Eliminated Q4 2021 for all but recovery startup businesses
- Changed guidelines for “recovery startup businesses”

# Evaluation Process

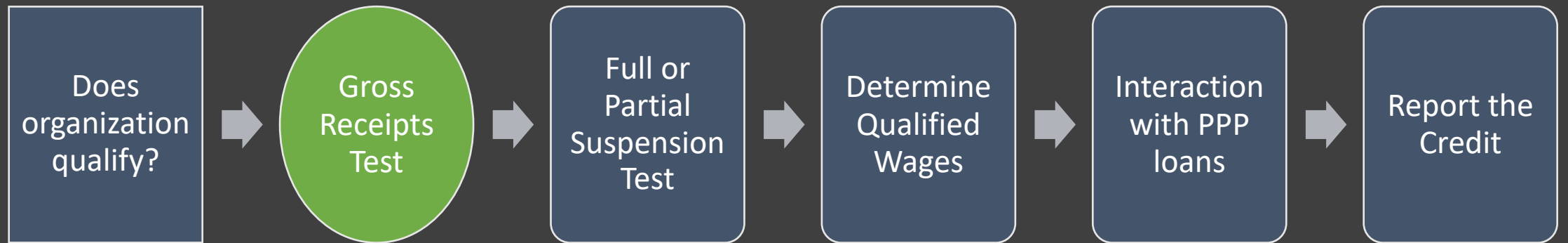
# Evaluation Process



# Does my organization qualify?

- Employers that carry on an operation during calendar year 2020 or the first 3 quarters of 2021 that:
  - Experience a significant decline in gross receipts OR
  - Fully or partially suspended their operation during any calendar year in 2020 due to orders from an appropriate governmental authority limiting commerce, travel, or group meeting due to COVID-19.

# Evaluation Process



# What are gross receipts for a non-profit?

All activities– not just those related to your exempt organization status:

- Contributions
- Gifts
- Grants
- Membership dues
- Capital Transactions (less adjusted basis in the assets sold)
- Royalties
- Rents
- Investment income
- Total sales (less returns and allowances)
- PPP Forgiven Loans are NOT considered in gross receipts

# Gross Receipts Test

*2020:*

START: The first calendar quarter in 2020 in which your gross receipts are less than 50% of your gross receipts for the same calendar quarter in 2019.

END: The first calendar quarter following the calendar quarter where 2020 quarterly gross receipts are greater than 80% of your gross receipts for the same calendar quarter in 2019 or with the first quarter of 2021.

*2021:*

Each quarter in 2021 in which your gross receipts are less than 80% of your gross receipts for the same calendar quarter in 2019. The alternative quarter election rule allows this qualification to carry forward to the next quarter in 2021.

# 2020 Significant Decline in Gross Receipts example:

	2019	2020	
Q1	\$250,000	\$200,000 (80%)	does not qualify
Q2	\$250,000	\$125,000 (50%)	qualify
Q3	\$250,000	\$225,000 (90%)	qualify
Q4	\$250,000	\$225,000 (90%)	does not qualify



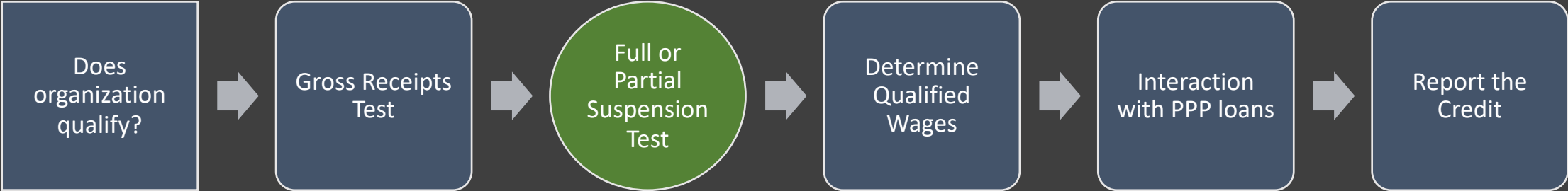


# 2021 Significant Decline in Gross Receipts example:

	2019	2021	
Q1	\$250,000	\$200,000 (80%)	qualify
Q2	\$250,000	\$125,000 (50%)	qualify
Q3	\$250,000	\$225,000 (90%)	qualify alternate rule



# Evaluation Process



# What is a Government Order?

Federal, state or local order, proclamation or decree that affect employer's operations.

It's important to pull these restrictions from your state or county health agencies and store them as backup documentation for your ERC claim.

# What qualifies as a partial suspension of operations?

## Partial Suspension:

Your organization continued with some, but not all of your usual operations.

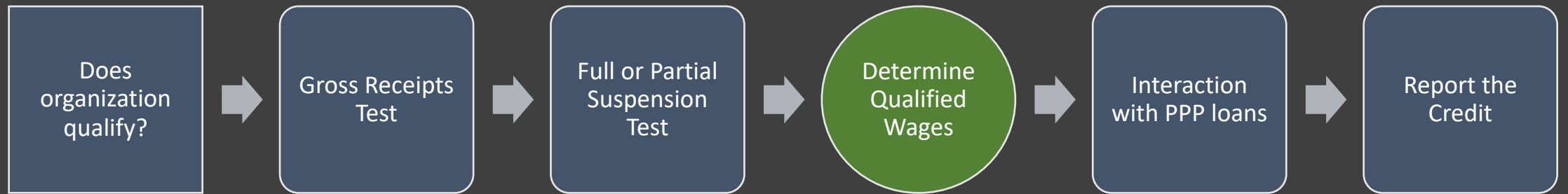
Operations must not be able to be continued “in manner comparable to operations before COVID”.

Modifications to operations much have more than a nominal effect on business operations.

## Examples of partial suspension:

- COVID related cancelling of meetings, events, group gatherings
- Limits on number of attendees to meetings, gatherings, staff meetings
- Restrictions on indoor gatherings
- Restrictions for travel
- Limits on number of students in a classroom
- Requirements for preparation and serving food
- Classroom closure due to COVID exposure

# Evaluation Process



# What are qualified wages

- Qualified wages are those subject to FICA taxes. This means that some clergy wages and housing allowance are not considered qualifying wages.
- Includes health care costs. These are generally the premiums for medical, dental, vision plans. Both the employer and employee costs are considered to be qualifying wages.
- There are some thresholds for the number of employees. If an employer is considered a large employer, then qualifying wages are only those paid to employees who were not providing services. Employee numbers in 2019 are used and the threshold is 100 employees for 2020 and 500 employees for 2021.
- Wages used for forgiven PPP loans or FFCRA tax credits are not considered qualified wages.

# Qualified Wages Example

## 2020

One Employee's qualified wages:

	Earnings	ERC Credit
Quarter 1	\$1500	\$ 750
Quarter 2	\$4000	\$2,000
Quarter 3	\$9000	\$2,250
Quarter 4	\$9000	\$0
Total ERC Claim:		<hr/> \$5,000



# Qualified Wages Example

## 2020

One Employee's qualified wages:

	Earnings	ERC Credit
Quarter 1	\$1500	\$ 750
Quarter 2	\$4000	\$2,000
Quarter 3	\$9000	\$2,250
Quarter 4	\$9000	\$0
Total ERC Claim:		<hr/> \$5,000

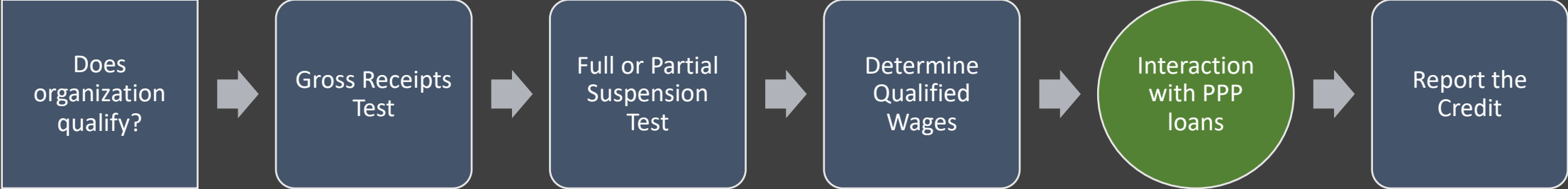
# Qualified Wages Example

## 2021

One Employee's qualified wages:

	Earnings	ERC Credit
Quarter 1	\$ 9,000	\$6,300
Quarter 2	\$10,000	\$7,000
Quarter 3	\$15,000	\$7,000
Total ERC Claim:		\$20,300

# Evaluation Process



# Interaction with PPP Loan Forgiveness

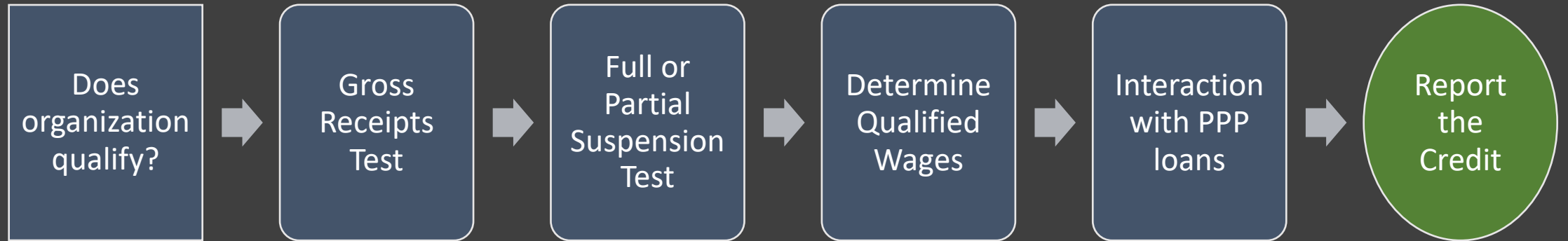
- You are allowed to have both forgiven PPP loans and Employee Retention Credit Claims – but payroll costs used to substantiate PPP loan forgiveness are not qualified wages for the purposes of the ERC.
- The information you will need is on your PPP Forgiveness Application.

# PPP / ERC Interaction Example

- Date of Loan: April 1, 2020
- Amount of Loan: \$20,000
- Covered Period: April 1 – June 30, 2020

	Wages	Exclude	ERC Qualifying	ERC Claim
Q1	\$ 1,000	\$0	\$1,000	\$500
Q2	\$21,000	\$20,000	\$1,000	\$500
Q3	\$21,000	\$0	\$21,000	\$4,000
Q4	\$21,000	\$0	\$21,000	\$0

# Evaluation Process



# How do we claim our credit?

Employee Retention Credit is claimed by filing a 941X Payroll Tax Return for each quarter that you want to report qualified wages.

This is usually done on paper forms that are mailed into the IRS.

# How long do we have to file for our credit?

## 941X Filing Deadlines:

2020 returns: April 15, 2024

2021 returns: April 15, 2025

*COVID relief legislation is subject to change – we recommend submitting retroactive claims as soon as possible.*



## After 941X is submitted:

# Now the waiting begins...

- The IRS does not verify that they have received your claim and there is not an automated status update system with them.
- You can call the IRS and ask for a process update. This does not speed up processing, and the IRS asks that you call no more than one time per month.
- Currently IRS processing times are 7-12 months.
- You will receive a notice of an “overpayment” from the IRS and a check will follow in the next 2-3 weeks.

# We received our check – now what?

## This is great news!

- Let the person/company that prepared your ERC returns know that you have received a check. The check should note on it which quarter the 941 refund is for, so they can track the status of your overall returns
- Deposit the check(s) separately from any other deposit in your bank account (i.e., do not deposit with offering checks, etc.)
- Consult with your CPA to record the income correctly for your organization
- *Fun fact: The IRS pays interest on the ERC claim – it will be between 5-10%!*



# Documentation

# What do we need to save?

You are not required to send any of your documentation into the IRS with your 941X; however, the IRS 5 years to audit your return, so it's important to save your documentation:

- Payroll records
- Original 941's
- PPP loan docs and forgiveness applications
- Government health orders
- Organization calendars showing disruptions due to government health orders
- Health insurance premium statements



How can Mesa Network help?

# Partnering with CCIA.....

Mesa Network has partnered with CCIA to offer initial ERC evaluations to CCIA clients free of charge. We will ask you to provide us some information and will work with you to determine your organization's eligibility for the ERC.

For additional help, Mesa Network offers to process your ERC (based off the initial evaluation) all the way through to 941X preparation, documentation storage, and audit support. Our fee for this service is discounted for CCIA customers, so please contact us if you are interested in learning more.

MESA  
NETWORK



# How to Connect with Mesa Network?

Email us at:

[AskHR@ccia.com](mailto:AskHR@ccia.com)