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WELCOME TO THE EMPLOYEE
RETENTION TAX CREDIT (ERTC)
WEBINAR

Today's Agenda:

What is the Employee Retention Tax Credit?

What is the FMLA COVID sick leave credit?

What are the IRS qualifications for these credits?

How to file for this Employee Tax Credit?

Tips for maximizing your tax credit by choosing the right tax filing expert

Q & A



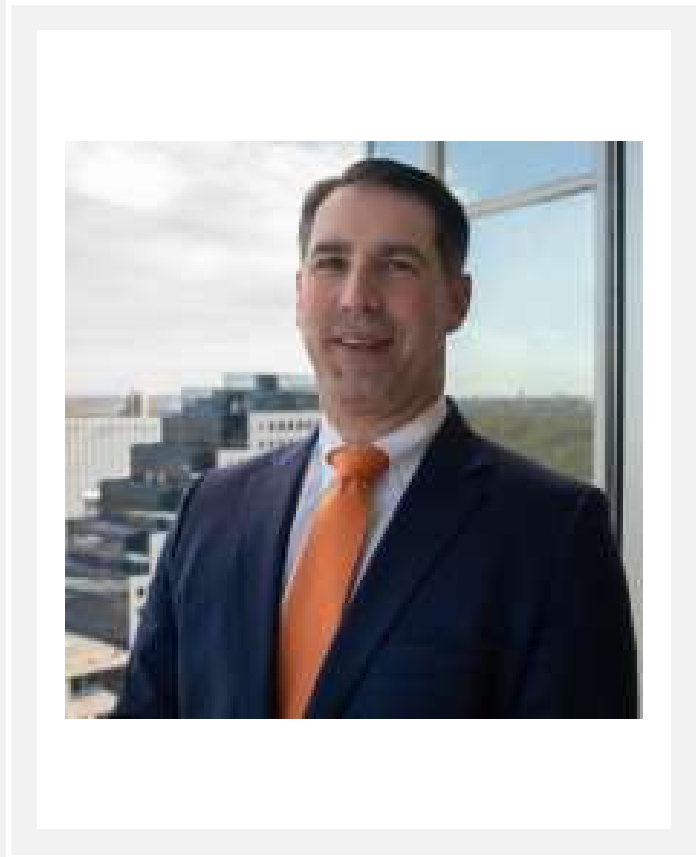
MATTHEW CAMPBELL

Senior Producer at RH Sims Insurance Agency. We are a property and liability insurance specialist that exclusively works with Christian schools and churches.

Worked 13 years in CA specializing in the liability insurance needs of more than 360 churches and Christian school clients

Awarded agent of the year in 2015 for Brotherhood Mutual Insurance Company

Passion for connecting non-profits with valuable resources



- Partner at Goodman McGuffey LLP
- Experienced trial lawyer representing clients in insurance matters and employment litigation in Federal and State Courts across Georgia and the Southeast
- Robert has also been recognized by Atlanta Magazine as a Georgia “Super Lawyer” from 2008 to the present
- Robert has also been recognized to the 2021 edition of The Best Lawyers in America for his work in Litigation on Labor and Employment
- Sits on the Legal Panel for Brotherhood Mutual Insurance Company
- Valuable partner and resource for RH Sims Insurance Services

RYAN CONN

- Owner and Partner of Shelton & Associates, CPA, PLLC
- Owner and founder of CS Business Consulting, LLC
- Thomson Reuters Tax Software Trainer teaching other CPA Firms
- Member of the KY CPA Society Circle of Trust
- ERTC expert
- Deacon over Security, Benevolence and Missions
- Board Member and Treasurer of the 501c3 Papillion Center of Paducah
- Professionally trained and certified in adult Problems Based Learning



WHAT IS THE ERTC?

- Employee Retention Tax Credit
- A provision of the CARES Act
 - Under the Consolidated Appropriations Act
 - Now under the American Rescue Plan Act
- Fully Refundable Tax Credit
- Worth **up to \$5000** per employee in 2020 and \$7000 in 2021 per quarter.
- For Qualified Employers and Qualified Wages

WHY ERTC NOW?

- When the CARES Act was first signed in March of 2020 it was either PPP or ERTC.
- December 27, 2020 they opened it up for both and made the restrictions more favorable. PPP borrowers are now eligible.
- January 19, 2021 IRS released updated forms for amended filing with new instructions.
- March 01, 2021 IRS released a clarifying notice for qualifications
- March 11, 2021 American Rescue Plan Act was signed with updated rules, and extending the credits through 12/31/21.

HOW MUCH IS REFUNDED?

- The ERTC is a refundable credit based on Federal Insurance Contributions Act Tax (FICA) withheld from every payroll check and remitted by the employer.
- The credit is determined based on “eligible” employers and “qualified” wages.
- Any credit calculated above the actual FICA remitted is counted as an overage and is also paid back as a refund.

A school has processed payroll normally in 2020 and paid employees and FICA every quarter.

*The school assesses they are qualified and eligible for ERTC.

*The school calculates the amount of refund due and remits the amended filing.

The IRS remits a refund for the difference between the amount owed and the credit.
(Overages are refunded)

EXAMPLE EMPLOYEE

A school paid a total of \$1,500 in Federal, Social Security, and Medicare for an employee in Quarter 2 of 2020

The school determines it is “eligible” for ERTC and has the full **\$5,000** in “qualified” credit from that same employee’s wages.

The school would receive a refund check for **\$5,000** from the IRS after filing the amended form. (The credit will refund the amount over \$1,500 as an overage and issue the full check)

ELIGIBILITY REQUIREMENTS 2020

- 2020 Credits
- Starting March 13, 2020:
 - TEST 1- Must have a decline in Gross Revenue of 50% or more in any quarter of 2020 as compared to the same quarter of 2019
 - TEST 2- Operations were partially or fully suspended by an authorized governing body (federal, state, local) that limited commerce, travel, group meetings due to the pandemic.

Let's Bring in Robert Luskin for his expertise on Test 2 language

ELIGIBILITY REQUIREMENTS AFTER A SATISFIED TEST

- Eligible wages are for any entity that has 500 or less employees. (Full Time Equivalent)
- A special rule applies for entities with more than 100 employees for 2020
- More than 100 only allows the wages paid for employees who were NOT actually performing work to be considered for the credit.
- 100 or less employees allows you to include ALL wages paid.
- The **Maximum** ERTC Credit is \$5,000 per employee

ELIGIBILITY REQUIREMENTS CHANGE FOR 2021

- TEST-1: Gross Revenue must have a 20% reduction as compared to the same quarter of 2019.
- TEST-2 Same Government Orders standard as 2020
- Eligible wages are for any entity that has 500 or less employees.
- The over 100 employee limitation is lifted and ALL wages of the 500 employees can be considered.
- There are special more specific comparisons to be made to business opened in 2020 or late 2019.
- **Maximum** ERTC Credit is \$7,000 per employee PER QUARTER

EXAMPLE EMPLOYEE

A school paid a total of \$1,500 in Federal, Social Security, and Medicare for an employee in Quarter 1 of 2021

The school determines it is “eligible” for ERTC and has the full **\$7,000** in “qualified” credit from that same employee’s wages.

The school would receive a refund check for **\$7,000** from the IRS after filing the amended form. (The credit will refund the amount over \$1,500 as an overage and issue the full check)

FULL EXAMPLE (MAXIMUM SCENARIO)

- In Georgia the last Executive Order on 3/12/21 reaffirmed the continued restrictions on operation, travel and gatherings.
- The first order went in place on 3/14/20
- Assuming a school has not received a PPPI Loan and has the following staff paid throughout the pandemic.
- The Salaries were paid evenly throughout the year.
- After consultation the school was determined to have the following eligible wages.

2020

3/14-12/31/2020
Eligible Wages

Up to
Wages Limit

2020 ERTC
Credit Amount

I Principal - \$50,000 annual salary	\$37,500	\$10,000	\$5,000
I Teachers - \$40,000 annual total	\$30,000	\$10,000	\$5,000
I Part Time - \$20,000 annual	\$15,000	\$10,000	\$5,000
I Coach- \$10,000 annual	\$10,000	\$7,500	\$3,750

2020 Total ERTC
Refundable Credit:
\$18,750

2021

01/01-03/31/2021
Eligible Wages

Up to
Wages Limit

2020 ERTC
Credit Amount

I Principal -
\$50,000
annual salary

\$12,500

\$10,000

\$7,000

I Teachers -
\$40,000
annual total

\$10,000

\$10,000

\$7,000

I Part Time -
\$20,000
annual

\$5,000

\$5,000

\$3,500

I Coach-
\$10,000
annual

\$2,500

\$2,500

\$1,750

2021 Q1 ERTC
Refundable Credit:
\$19,250

FULL EXAMPLE RESULTS

- A Georgia school with only 4 employees could receive up to
- **\$38,000** in the form of checks as refunds from the IRS.
- This is for 2020 and Quarter I of 2021.
- Should more than nominal disruption continue due to the governmental orders the program continues for the next 2 quarters of 2021.
- In summary, this example could receive an additional \$57,750!

WHAT ABOUT PPP MONEY USED?

- PPP money can NOT be used for wages being considered for ERTC
- The money must be separated dollar by dollar, and date by date for which money is being claimed for forgiveness vs. claimed for the credit.
- Here is the example for the same school with PPP money removed from the scenario

2020

3/14-12/31/2020
Eligible Wages
after PPP

Up to
Wages Limit

2020 ERTC
Credit Amount

1 Principal -
\$50,000
annual salary

\$29,167

\$10,000

\$5,000

1 Teachers -
\$40,000
annual total

\$21,667

\$10,000

\$5,000

1 Part Time -
\$20,000
annual

\$6,667

\$6,667

\$3,334

1 Coach-
\$10,000
annual

\$1,667

\$1,667

\$834

2020 Total ERTC
Refundable Credit:
\$14,168

BIGGER EXAMPLE

- Say a school has 40 employees who received at least \$10,000 in wages during a qualified period. \$5,000 per employee
- 2020= \$200,000
- Q1 21= \$280,000 Current Possible Refund: \$480,000
- Q2 21= \$280,000
- Q3 21= \$280,000
- Q4 21= \$280,000
- Total Possible Refund= **\$1,320,000!!!**

COVID FMLA SICK LEAVE

- Separate and in addition to the ERTC credits.
- Can NOT use the same dollars as PPP or ERTC
- There are 2 versions of the credit, High Cap and Low Cap
- High Cap allows up to \$5,110 per employee of refundable credit.
- Low Cap allows up to \$2,000 per employee of refundable credit

COVID FMLA SICK LEAVE

- An employee who maxed out the ERTC and had \$5,110 of paid COVID time off is worth \$10,110 of total 2020 refund
- The FMLA COVID Sick Leave continues until 03/31/2021
- A Q1 2021 Employee maxing out both would generate a \$12,110 credit.
- PPP2 Money also cannot be used in 2021 for wages paid that are considered for credit.

HOW DOES MY SCHOOL QUALIFY FOR THIS CREDIT?

Step 1- See if you qualify for the Credit

- Seek a Qualified attorney that works with a financial expert to help you determine if your Christian school meets the definition of Test 2- Operations were partially or fully suspended by an authorized governing body (federal, state, local) that limited commerce, travel, group meetings due to the pandemic.
- Qualifications for this credit will primarily based on the working definition under Test 2 for partial suspension.
- Document, Document, Document

HOW DOES MY SCHOOL QUALIFY FOR THIS CREDIT?

Step 2

- Find an expert who specializes in ERTC and FMLA COVID credits to properly complete and help file Form 941X. Experts should be able to help you in the following ways:
 - Help confirm eligibility
 - Help you identify what is a “qualified wage”
 - Help you organize
- An assessment and determination of whether you are a “eligible entity” and what specific portions for you are “qualified wages” should be conducted by a qualified professional.

HOW DOES MY SCHOOL QUALIFY FOR THIS CREDIT?

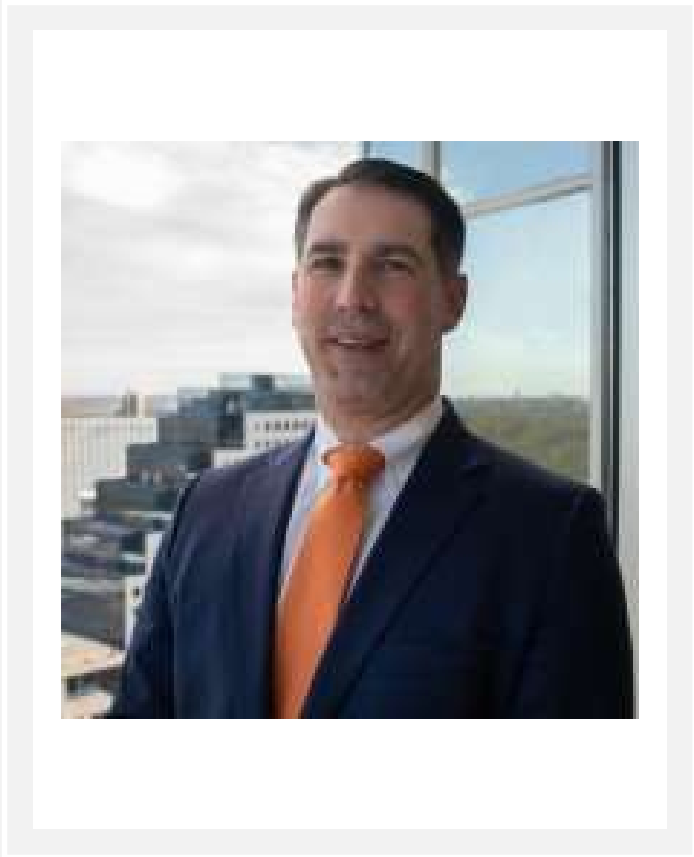
Step 2 Cont.

- Hazards:
 - The legislation has updated to extend the lookback period for an audit on CARES Act benefits 5 years from the standard 3 years.
 - The audit trail for this is very analytical and technical. The proper capturing of dollars and not reporting of any disqualified wages is paramount.
 - Being able to document the “story” of nominal disruption and the articulation supported by the preserved source documents is essential.
 - There are many “experts” in this area, do an interview for yourself before you select the right one for your school

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- Sits on the Legal Panel for Brotherhood Mutual Insurance Company
- Valuable partner and resource for RH Sims Insurance Services

Q & A

Moderated by Chuck Gilliam and Matthew Campbell